

The world in brief

Catch up quickly on the global stories that matter



Photograph: Reuters

The **Federal Reserve** reduced **interest rates** by a quarter of a **percentage point**, the first cut this year, to a target of 4-4.25%, as America's **labour market has softened**. For months policymakers at America's central bank have faced **pressure from Donald Trump** to lower rates. Stephen Miran, a White House economic adviser whom Mr Trump recently installed on the Fed's board, voted to cut rates by a half point.

At a banquet with **King Charles III** at Windsor Castle, **Mr Trump** hailed the British-American relationship, saying "special does not begin to do it justice". He said that his **unprecedented second state visit** was one of his life's "highest honours". Earlier the countries agreed to a \$42bn deal through which American tech companies will invest in British artificial intelligence and nuclear infrastructure.

The **European Commission** announced a proposal to suspend its free-trade agreement with **Israel**. European officials said they would also impose sanctions on "extremist" government ministers and "violent" settlers. They also announced sanctions on ten Hamas leaders. Member states such as Germany may veto the proposals.

Ursula von der Leyen, the commission's president, called for an end to the "horrific events" [in Gaza](#).

Britain's annual inflation rate was 3.8% in August, the same as in July. The figure is well above the Bank of England's target of 2%. The core rate, which excludes [food](#) and energy prices, was 3.6%, down from 3.8% the previous month. The bank is expected to keep interest rates at 4% at its monetary-policy meeting on Thursday.

Saudi Arabia signed a mutual-defence pact with nuclear-armed **Pakistan**. The agreement—that aggression against one country will be considered aggression against both—comes a week after Israel struck Qatar, [unnerving Gulf states](#) that have long relied on America for protection. Muhammed bin Salman, Saudi Arabia's de facto leader, said Israel's attack, which targeted Hamas leaders, warranted "Arab, Islamic and international action".

Yulia Navalnaya said biological tests indicated that her late husband, Alexei Navalny, was poisoned. The Russian opposition leader [died in a Siberian penal colony in 2024](#). Ms Navalnaya said laboratories in two unspecified countries reached the conclusion he was poisoned, but suggested Western governments were reluctant to release the results because of "political considerations".

Ben & Jerry's co-founder, Jerry Greenfield, left the ice-cream maker after 47 years following a dispute with its parent company. Mr Greenfield said Unilever, which bought Ben & Jerry's for \$326m in 2000, had "silenced" the company's "social mission" and its ability to speak about issues concerning "peace, justice and human rights". Ben & Jerry's has been a vocal critic of Israel's [war on Gaza](#).

Figure of the day: 19%, the average fall in the price of a car in China over the past two years. [Read the full story](#).



Photograph: Reuters

Israel's new offensive in Gaza

The Israel Defence Forces have launched another campaign in Gaza city. They have surrounded the strip's largest urban centre on three sides, leaving open the western exits for civilians. Yet at least 600,000 people are still sheltering close to the old centre. Many [doubt that things will be better](#) elsewhere in Gaza.

The offensive is a re-run of Israel's first main operation after Hamas's surprise attack in 2023. Since then, at least 64,000 [Palestinians have been killed](#), along with nearly all of Hamas's senior leaders. On Tuesday the UN Human Rights Council published a report accusing Israel of committing genocide. Its government denies the accusations.

IDF commanders doubt that the new offensive will eliminate the militant group; recent polling suggests that more than 70% of Israelis now want a ceasefire. But Israel's prime minister, Binyamin Netanyahu, is beholden to his far-right coalition partners. And for now, the operation seems to have America's backing.



Photograph: Aaron Schwartz/Sipa USA

Why the Fed lowered interest rates

The Federal Reserve lowered interest rates by a quarter of a percentage point on Wednesday. Since the central bank's previous gathering in late July, two rounds of [employment data](#) have come in weak. Most Fed governors have pencilled in further cuts in October and in December. But inflation is also creeping up, putting the Fed—with a legal mandate both to sustain maximum employment and keep inflation at 2%—in a quandary.

While the decision was expected, the vote breakdown among the central bank's governors was less predictable. July's meeting saw a [rare double dissent](#). At his first rate-setting meeting, Stephen Miran (pictured) was the sole official to vote for a bigger cut, of half a percentage point. The first nominee to the Fed of Donald Trump's second term, he has previously supported tightening [political control of the central bank](#), for example by giving the president the ability to fire Fed governors and regional-bank presidents at will.



Photograph: Getty Images

Meta returns to the metaverse

Meta will boast that its smart glasses are now even smarter at its Connect developers conference on Wednesday. It plans to introduce [AI-powered](#) display features. The glasses, co-branded with Ray-Ban and Oakley, will allow users to query Meta's AI assistant and see responses in one of the lenses. They will come with a wristband to increase processing power and a price tag of about \$800. Meta may allow third-party developers to make apps for the glasses, helping expand the capabilities of its gadget beyond filming, music and messaging.

The mixed-reality glasses, dubbed Hypernova, represent a revival of Meta's quest to develop the metaverse. Meta is hoping that customers will use them as an alternative to rival hardware, such as Apple's iPhone. Improved AI features would also help justify some of the expensive bets Mark Zuckerberg, Meta's boss, placed by [hiring top AI researchers](#) this summer. Meta's value has increased to close to \$2trn this year. If its glasses generate enough excitement this week, it could surpass that.



Photograph: Reuters

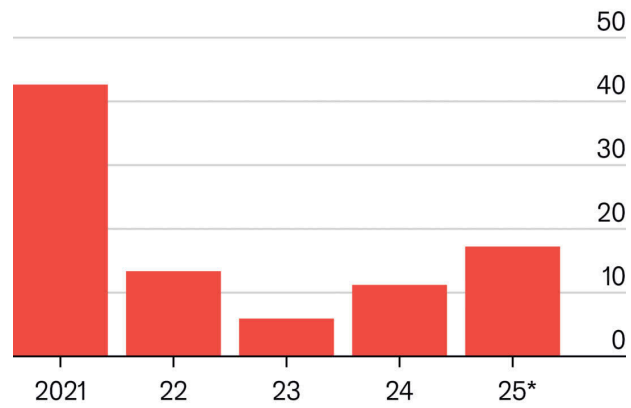
Peaks and perils for Hong Kong

John Lee, Hong Kong's leader, delivered his annual policy address on Wednesday. Mr Lee had to respond to a mixed economic picture. The territory's economy is expected to grow between 2% and 3% this year. The property sector is stabilising. And in the first half of 2025 Hong Kong was the world's top venue for listings, with its 42 IPOs raising HK\$107bn (\$13.8bn)—22% more than in the whole of 2024. That is in part down to deteriorating Sino-American relations, which is encouraging mainland firms to list in Hong Kong rather than America.

But on the city's streets, things feel rather different. Many stores and restaurants have closed as Hong Kongers increasingly head to the mainland, where it is cheaper to shop and dine. [Total retail sales](#) are down; the unemployment rate is rising. Residents increasingly report dissatisfaction over government policies and the economy. In his address, Mr Lee offered little to assuage them.

A package deal

Hong Kong, initial public offerings,
deal value, \$bn



*To August 31st

Source: Hong Kong Stock Exchange



Photograph: Shutterstock

TikTok watches the clock

“What’s up TikTok,” asked the White House as it launched its account on the social-media platform in August. What made the greeting odd is that last year Joe Biden signed a law giving ByteDance, TikTok’s Chinese owner, an ultimatum: [sell its American operations](#) or go dark. The Trump administration has delayed several deadlines for that to happen. Days before the latest, on Wednesday, it said a “framework” for a deal had been reached. The new deadline is December 16th.

Little about the deal itself is known. On Tuesday Donald Trump said that “very big companies” want to buy TikTok. More could become clear on Friday, when Mr Trump speaks to Xi Jinping, China’s leader. A big question concerns the future of TikTok’s [powerful recommendation algorithm](#), which America regards as a potential threat to its security. China suggests ByteDance will retain ownership of the technology; America insists that the deal prioritises national security. TikTok’s 150m American users no doubt hope to keep scrolling uninterrupted.



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 singer, formerly with the group Clannad, had her biggest hit with “Orinoco Flow (Sail Away)”?

Tuesday: Which author is best known for his book “Dracula”, published in 1897?

*An intellectual is a man who
doesn't know how to park a bike.*

Spiro Agnew