

## Catch up: European banks' bumper profits



Profits at **Santander**, a Spanish bank, rose by 20% year on year during the second quarter. The quarter's earnings were the bank's highest ever. The [bank's](#) retail division benefitted from high interest rates in the euro zone, while a new technology platform helped lower costs across all units. Meanwhile **BNP Paribas**, a French bank, also performed well, as revenue from equity trading soared. European banks have performed better than expected this year, raising hopes that a wave of consolidation looms.

**Alphabet's** revenue reached \$84.7bn last quarter, a rise of 14% compared with the same period last year. The jump was largely down to growth in cloud computing and advertising. On Tuesday [a deal](#) between the search giant and Wiz, an Israeli cyber-security firm, which would have been its biggest-ever acquisition, fell through.

**Britain** and **Germany** signed a defence pact, pledging to strengthen their defence industries, improve cybersecurity and boost the effectiveness of joint operations. Keir Starmer, Britain's

newly-appointed prime minister, wants to reset relations between Britain and Europe. Meanwhile, with Donald Trump musing about [withdrawing support](#), European countries are ramping up defence spending.

A public inquiry found that 200,000 people in the care of state and religious institutions in **New Zealand** were abused between 1950 and 2019. The report found that sexual and physical abuse were “commonplace”, affecting nearly one in three people in care. Those from the indigenous **Maori** community and with mental health problems were most likely to be abused. [Christopher Luxon](#), the prime minister, apologised and promised reforms.

**Tesla** reported net income of \$1.5bn for the quarter ending in June—a 45% drop, year on year—missing analysts’ profit expectations. The electric-vehicle firm said that it would focus on “company-wide cost reduction”, “growing our traditional hardware business” and “accelerating development of our AI products and services”. In January Tesla warned that growth would be “notably lower” this year, as [demand for EVs has cooled](#).

**Taiwan** battened down the hatches ahead of the arrival of Gaemi, its first typhoon of the season. Residents of Taipei, the capital, were told to stay at home, while flights were cancelled, financial markets were shut and the army was put on high alert. Meanwhile flooding was reported in Manila, the Philippines’ capital, as Gaemi intensified the monsoon.

Profits from the **British monarchy’s** [land and other property assets](#) more than doubled last year to reach a record £1.1bn (\$1.4bn), largely thanks to its investments in offshore wind farms. The Crown Estate, which is worth £16bn, owns seabed surrounding England, Wales and Northern Ireland as well as large tracts of land. [Britain’s offshore-wind sector](#) generated 17% of its electricity in 2023.

**Figure of the day:** 60%, turnout in Britain's latest general election, the second-lowest in a century. [Read the full story.](#)

*In the run-up to America's presidential election, we've launched [The US in brief](#)—a daily update to help you keep on top of the political stories that matter. [Sign up here](#) to receive it as a newsletter, each weekday, in your inbox.*

## America and Israel look ahead



On Wednesday Binyamin Netanyahu, Israel's prime minister, will cap a [three-day trip](#) to Washington with a speech to Congress. It will be his fourth—more than any other foreign leader has delivered (Winston Churchill gave three). His speech comes at a critical juncture for his own country as well as his host; on Wednesday President Joe Biden will deliver an address of his own, about “what lies ahead” after ending his campaign.

[Kamala Harris](#), who is likely to replace Mr Biden as the Democrats' presidential nominee, does not have as close a relationship to Mr Netanyahu or to Israel. Republicans, who control the lower chamber of Congress, are fans of Mr Netanyahu. But he will no doubt be working hard to win over Ms Harris, as well as increasingly sceptical congressional Democrats. As the conflict in Gaza drags on, and Israel loses international support, shoring up relations with its indispensable protector will be a top objective.

# ASEAN and the South China Sea



On Wednesday foreign ministers from the Association of Southeast Asian Nations meet in Vientiane, the capital of Laos, to discuss rising tensions in the South China Sea, among other things. China has adopted increasingly aggressive tactics in the sea, which it claims almost entirely, asserting rights over waters and islands that South-East Asian countries consider their own.

ASEAN has struggled to respond to Chinese aggression. It is negotiating a code of conduct with China in an attempt to reduce the risk of [conflict in the sea](#). On Sunday the Philippines said it had “reached an understanding” with China to allow it to resupply the *Sierra Madre*, a Filipino ship deliberately beached on the highly contested South Thomas Shoal. In the past China has repeatedly blocked resupply missions to the vessel. Details of the agreement are yet to be released.

Antony Blinken, America’s secretary of state, is expected to meet Wang Yi, China’s foreign minister, on the side of the summit this week. America’s top diplomat will hope to calm the [choppy waters](#).



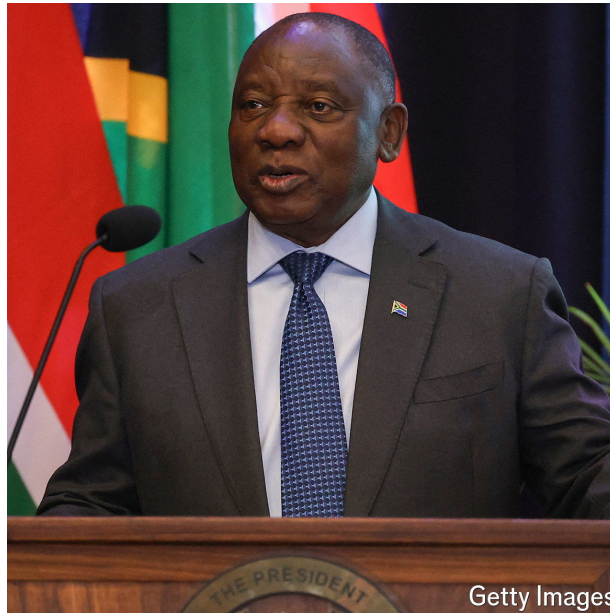
# The EU's corruption scorecard



The European Union is supposed to improve the [rule of law](#) in member states. But many argue that the EU fails to do enough to stop countries that undermine it. On Wednesday the European Commission will hand down grades to every EU member country in its annual Rule of Law Report.

Some countries, such as [Hungary](#), will be chastised, not for the first time, for politicising the judiciary. Others, such as Italy, may be rapped on the knuckles for failing to control theft of EU funds. But in recent years the commission's president, Ursula von der Leyen, has watered down the report's conclusions for political reasons. The commission ended inspections of Romania and [Bulgaria](#) despite their poor performance. Greece got off easy for jailing whistleblowers. And Hungary was applauded for meaningless reforms. The report will no doubt be more lenient than one issued in March by Liberties, a coalition of watchdogs. It dinged even Sweden for its declining media freedom.

# Revitalising Africa's largest economy



South Africa's president, Cyril Ramaphosa, and his erstwhile opponents in the liberal Democratic Alliance party deserve credit for swiftly [banding together](#) after elections in May to keep populists out of office. But to prevent them from gaining ground in future their government of national unity (GNU) will need to prove that the country can end prolonged economic stagnation.

Inflation data released on Wednesday showed price-rises slowing to 5.1% in June from the 5.2% rate recorded in May. That may give South Africa's hawkish central bank reason to finally cut interest rates from 8.25%, a 15-year high. But fixing South Africa's economy will also require restructuring the state-owned enterprises that control electricity, water and logistics. The danger is that, having swelled the cabinet to 34 ministers, Mr Ramaphosa will be preoccupied with managing a bloated and unwieldy government. Earlier this week the president spoke of the need for "urgency". Now he must show it.

# The draw of Wagner



The Bayreuth Festival in northern Bavaria opens on Wednesday with a free open-air performance. From there it gets trickier to find a place at the month-long annual celebration of [Richard Wagner](#), the German composer. The wait for tickets can last a decade, as half a million applicants every year vie for the fewer than 60,000 seats over 30 performances. These are staged in the Festspielhaus, a theatre designed by Wagner himself. Inaugurated in 1876, it featured fancy innovations such as a recessed orchestra pit and dimmable lighting.

As every year, the programme will include all seven of the composer's major operas. For the first time a woman, Simone Young, chief conductor of the Sydney Symphony Orchestra, will take the baton for performances of the four-opera, 16-hour-total Ring Cycle. There will be more women conductors at Bayreuth than men this year. That is a fast shift in key: the festival roster was all-male until 2021.



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

**Wednesday:** Which rock singer adopted the alter ego Ziggy Stardust?

**Tuesday:** Land O' Lakes, Kerrygold and Lurpak are all brands of which grocery item?

**60%**

*Turnout in Britain's latest general election, the second-lowest in a century.*

*[Read the full story.](#)*

**Nobody has ever measured, not even poets,  
how much the heart can hold.**

*Zelda Fitzgerald*