

NEWSLETTER

Newsletter: Uncertainty, Upheaval and the Economy



A subway ticket office is seen on fire during a protest against an increase in ticket prices in Santiago, Chile. Social unrest is roiling countries around the world. PHOTO: STRINGER/REUTERS

By Jeffrey Sparshott

Oct 21, 2019 6:43 am ET

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What's Goin' On

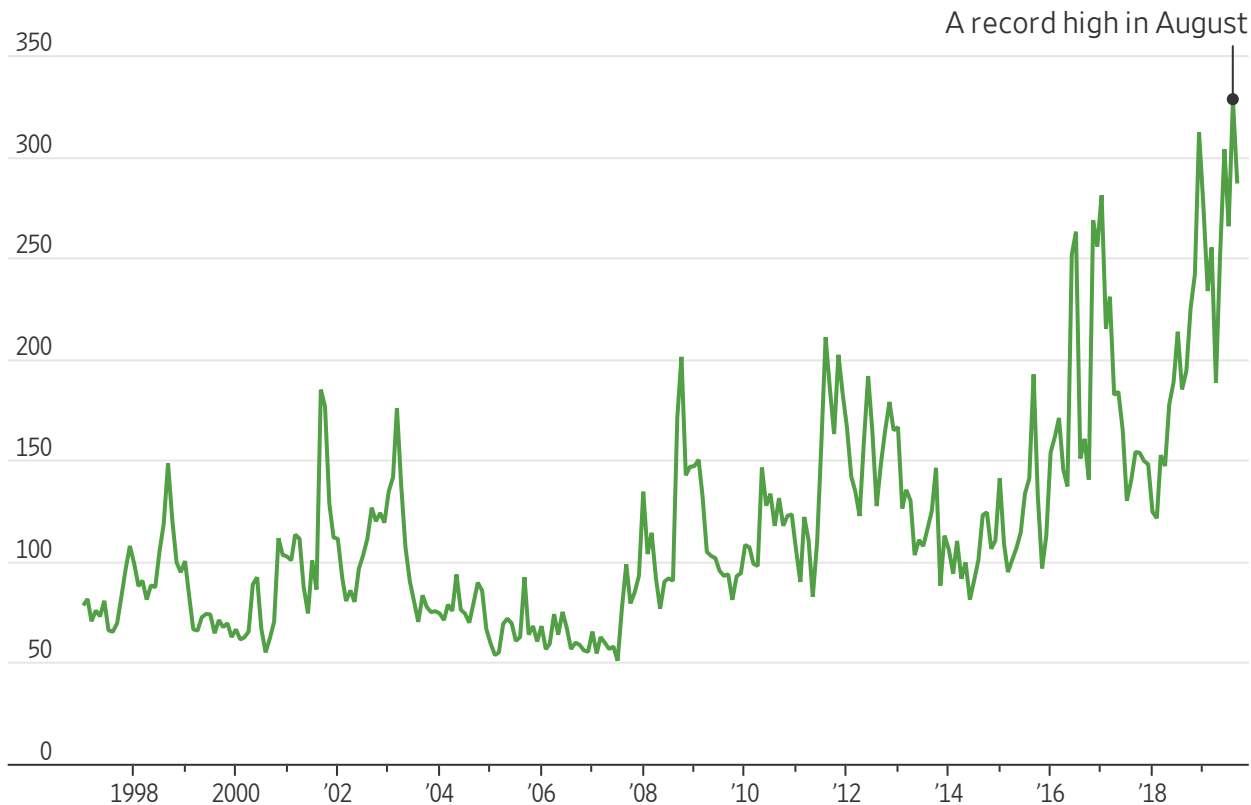
Investors and executives are facing a fresh wave of political uncertainty. The U.S.-China trade war, Brexit and impeachment proceedings in the U.S. are just some of the major political obstacles. Add to the mix the Turkish military operation in Syria, attacks on Saudi oil production and social unrest spanning from Hong Kong to Barcelona. To capture just how much recent flare-ups around the world compare with previous levels of political upheaval, professors at Northwestern University, Stanford University and the University of Chicago created a variety of indexes. One rose in August to its highest level on record in data that go back to 1997. It was even more extreme than after previous events such as the 9/11 terrorist attacks, the European debt crisis and the 2016 U.S. presidential election. Stanford's Nick Bloom, one of the creators of the

indexes, said a “toxic combination” of low growth and rising income inequality has contributed to more extreme political uncertainty, Steven Russolillo reports.

So what? Research shows that if you’re an investor, greater uncertainty is associated with stock price volatility. If you care about the economy, it foreshadows declines in investment, output and employment.

Heightened Uncertainty

A monthly index of global economic policy uncertainty



Note: Developed by professors at Northwestern University, Stanford University and University of Chicago

Source: Economic Policy Uncertainty

WHAT TO WATCH THIS WEEK
Federal Reserve officials enter a quiet period ahead of their Oct. 29-30 meeting.

That leaves the focus this week on Tuesday’s U.S. existing-home sales, Thursday’s eurozone purchasing managers indexes, U.S. durable goods orders and European Central Bank meeting, and geopolitical developments.

TOP STORIES

Soft Spots

The nationwide unemployment rate fell to a 50-year low in September. But in a handful of states, joblessness is on the rise. In Mississippi, Kentucky, Wisconsin, Nebraska and Delaware the unemployment rate rose by at least 0.2 percentage point in September from the average rate

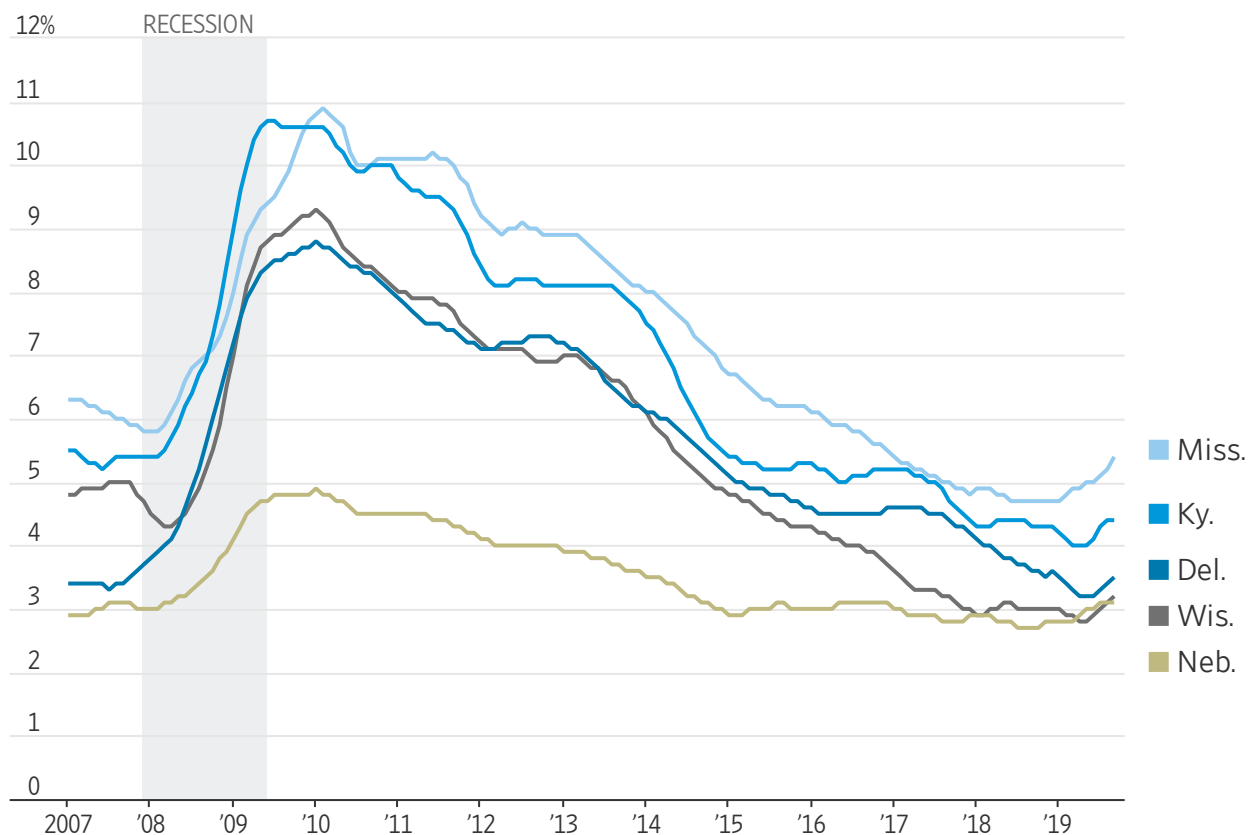
recorded in the first half of the year, according to Labor Department data. Mississippi's 5.4% rate was the second-highest in the nation in September and was up a half percentage point from the first half average. Wisconsin had the tenth-lowest unemployment rate in the country in the first half of 2019, at 2.9%. The rate edged up to 3.2% in September, 18th lowest.

Of particular concern for Wisconsin is that the unemployment rate is increasing at a time when slightly fewer people have or want jobs. The state's labor force declined by 3,900 in September relative to its first half average, suggesting the unemployment rate rise reflects cautious employers.

In Mississippi, the labor force grew by about 18,000 during the summer, indicating increase unemployment could in part reflect a solid economy drawing workers off the sidelines.

—Eric Morath

State unemployment rates



Note: Seasonally adjusted, September data preliminary
Source: Labor Department

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nd month, the impact is intensifying across the Midwest economy, hitting more businesses and auto-parts suppliers reliant on GM's U.S. factories for work, Ben Foldy reports.

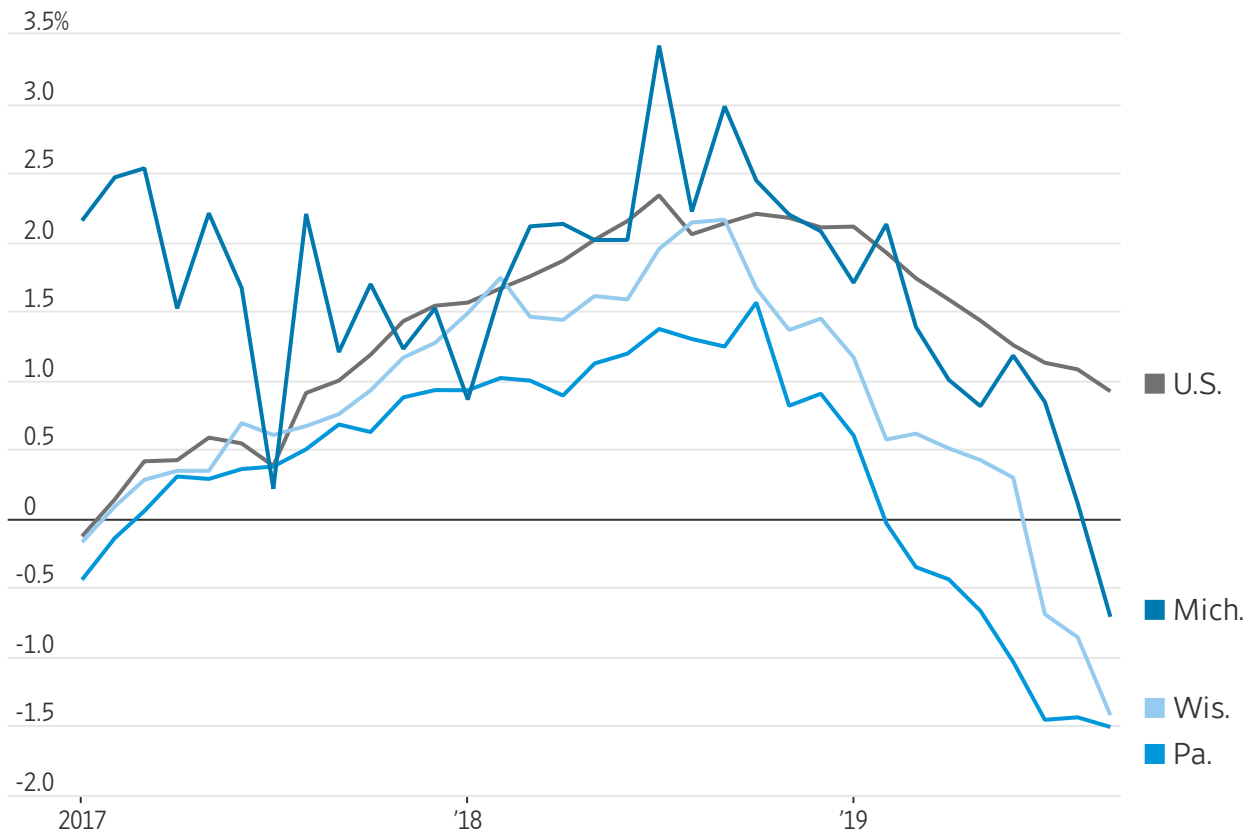
- The United Auto Workers struck a tentative labor agreement with GM last week, but union leaders decided to continue picketing until workers approve the deal. The move likely extends the nationwide walkout through

Friday.

- **The financial toll is mounting** for both the company and states where GM has a concentration of unionized workers. Economists say the cascading effect of lost wages, production and employment will likely linger even if the strike ends, weighing on regional economies already straining from the tariff dispute with China.
- **The strike has idled** more than 30 GM factories across the U.S., suspended work at an additional two dozen company-owned parts warehouses and distribution centers and led to temporary layoffs of nearly 10,000 GM factory workers not represented by the UAW in the U.S., Canada and Mexico.

The UAW strike is adding to weakness in the manufacturing sector. But it's not the only problem. The walkout came too late to affect September jobs data. Nevertheless, nationwide manufacturing employment growth has been decelerating this year. In states like Michigan, Wisconsin and Pennsylvania, manufacturing employment was in outright contraction before the strike.

Manufacturing employment, change from a year earlier



Note: Seasonally adjusted
Source: Labor Department

If at First You Don't Succeed
U.K. Prime Minister Boris Johnson is bringing his Brexit deal back before

e lawmakers this week—and possibly as early as today—after they forced him to ask the European Union for another delay, Stephen Fidler reports.

- **Mr. Johnson is very close** to securing the votes he needs to win approval this week. But even if he does, lawmakers could in coming weeks pass amendments that would impose conditions—such as a referendum confirming public backing for the deal.

- If he fails, the whole Brexit process is plunged again into uncertainty.

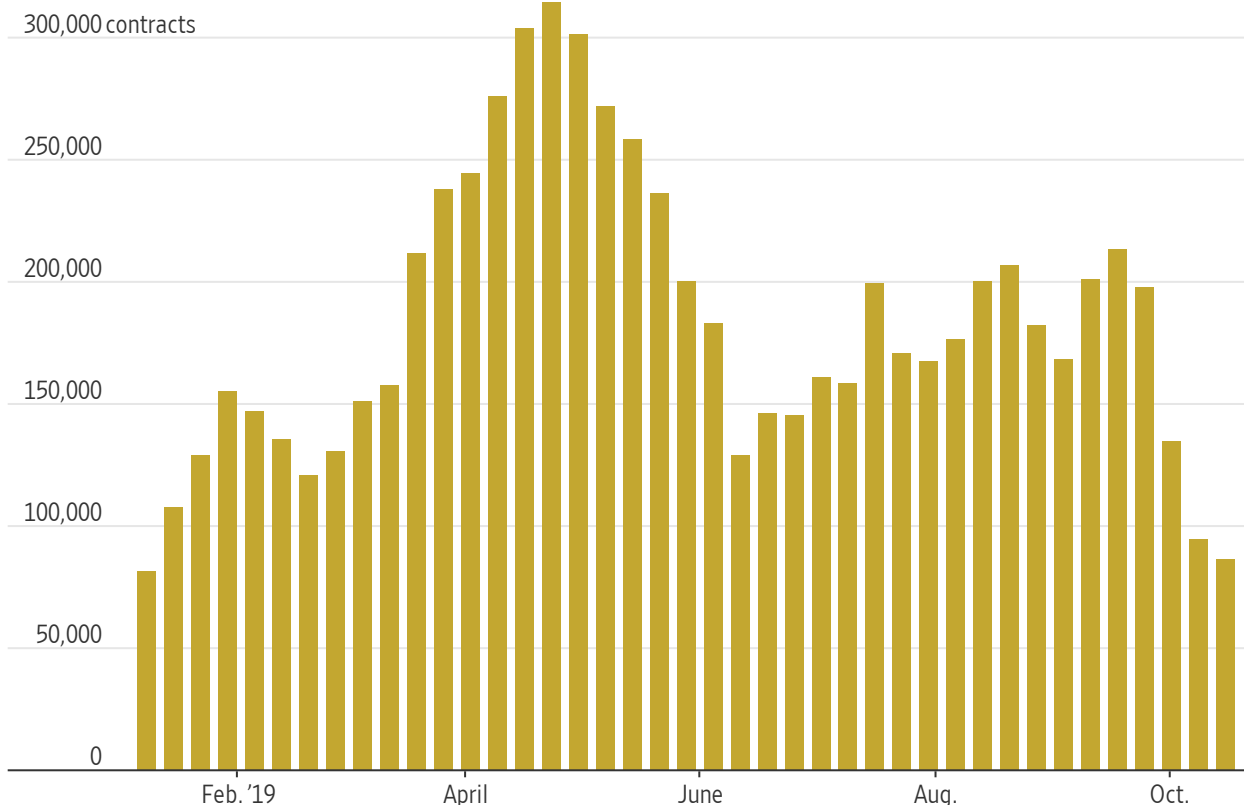
Around the World

Japan's exports declined for the 10th straight month in September. Exports dropped 5.2% from a year earlier as demand continued to slow in the nation's major trade partners such as the U.S. and China, Megumi Fujikawa reports.

India is making a push to get Apple and other big brands to switch production there as the risks of manufacturing in China rise along with trade tensions. Prime Minister Narendra Modi's government has been trying to transform the country's image as a difficult place to do business, promising a more predictable and open regulatory regime, a simpler corporate tax structure and incentives for targeted industries, Eric Bellman and Rajesh Roy report.

Bets on rising U.S. oil prices have hit a nine-month low, underscoring investors' concerns that a slowing economy will dent demand for crude while the U.S. and other suppliers continue to pump out oil, Sarah Toy reports.

Net bets on higher U.S. crude prices, weekly



Source: U.S. Commodity Futures Trading Commission

QUOTE
OF
THE
DAY

"Market stability should not be the subject of a tweet here or a tweet

t there. It requires consideration, thinking, quiet and measured and rational decisions.” — Christine Lagarde, the departing head of the International Monetary Fund

WHAT ELSE WE'RE READING

Kids these days. "The direct cost of college (tuition payments net of grants and scholarships) more than doubled, from \$3,628 to \$8,624.3 [from the early 1980s through the early 2000s]. ... The younger cohort had to rely more heavily on parental transfers, work more while in college and accumulate more student debt. Student earnings appear to be the least responsive source of revenue, according to percentage growth. It should be noted that students were earning roughly the same amount per hour in both time periods. The increase is mostly due to students working more hours," the St. Louis Fed's Oksana Leukhina writes in a blog post.

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