

## NEWSLETTER

# Newsletter: China's Economic Growth Slowest in Decades



Stacked shipping containers at a port in Qingdao, China. PHOTO: STR/AGENCE FRANCE-PRESSE/GETTY IMAGES

*By Jeffrey Sparshott*

Oct 18, 2019 6:45 am ET

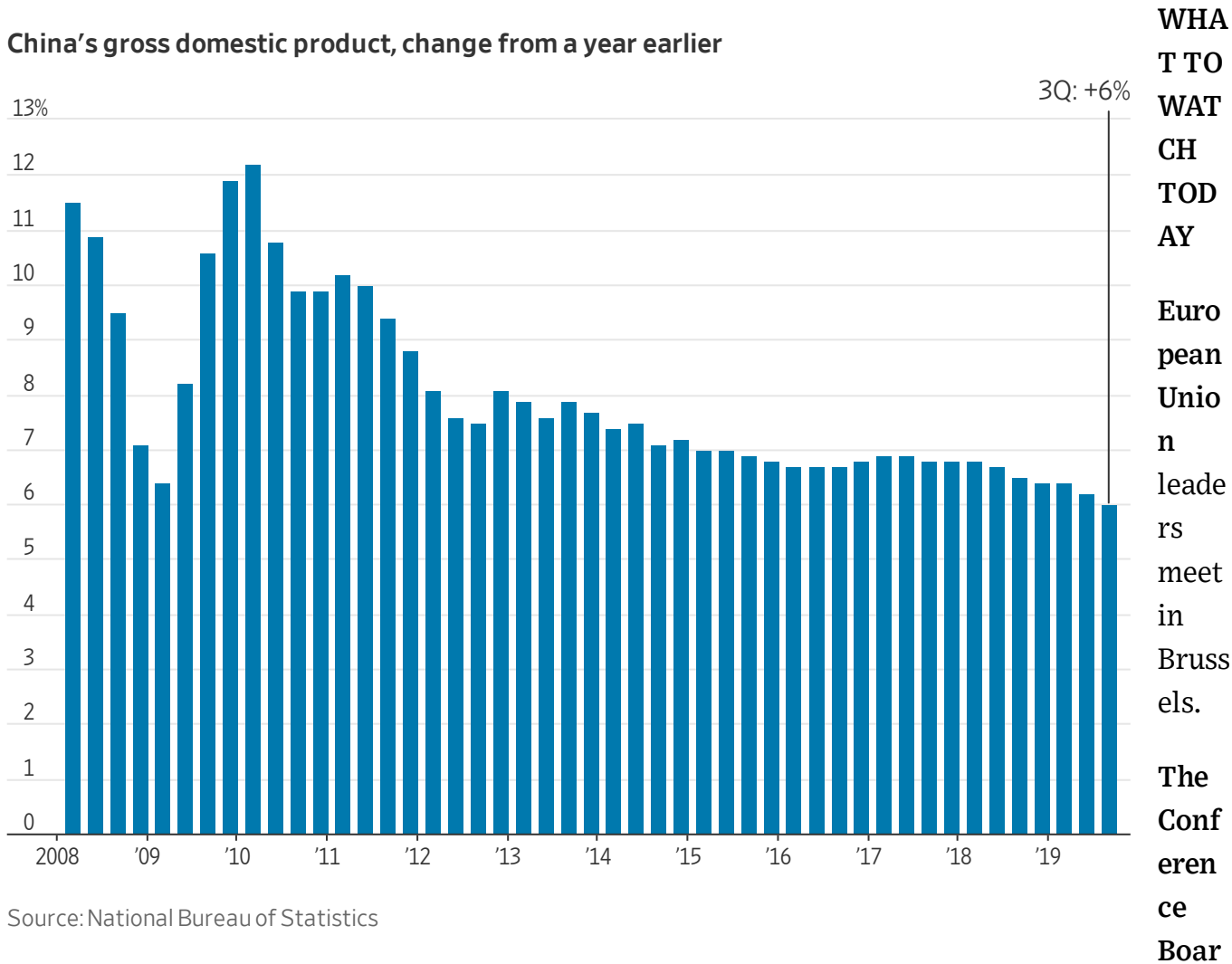
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China's economy is slowing, American wages are growing, U.S. manufacturing is still slumping, the Fed looks like it's getting ready to cut again, and Boris Johnson faces another big challenge: getting enough votes to pass his Brexit deal. Let's head into the weekend with the latest economic news.

## China's Economy Slows, Again

China's third-quarter economic growth came in at 6%, the lowest in nearly three decades. The world's No. 2 economy has been on a downward trajectory for several years, with each quarterly slowdown pulling the performance to lows not seen since the current measure of GDP was adopted in 1992, James T. Areddy reports.

- **The trade war isn't helping.** In the latest quarter, growth cooled across the board despite some recoveries in industrial production and retail sales at the end of the period.
- **"Pressure on economic activity** should intensify in the coming months," says Julian Evans-Pritchard, economist at Capital Economics. "Cooling global demand will continue to weigh on exports, fiscal constraints mean that infrastructure spending will wane in the near-term and the recent boom in property construction looks set to unwind."
- **Some economists,** companies and investors believe China's performance is weaker than official numbers show. The government's growth target this year is 6% to 6.5%.



d's leading economic index for September is expected to be unchanged from the prior month. (10 a.m. ET)

The Baker Hughes rig count is out at 1 p.m. ET.

Bank of England Gov. Mark Carney speaks in Washington at 1:45 p.m. ET.

Federal Reserve officials are out in force: Dallas's Robert Kaplan speaks in Washington at 9 a.m. ET, Kansas City's Esther George speaks at an energy conference at 10:05 a.m. ET, Minneapolis's Neel Kashkari speaks in Bloomington, Minn., at 10:30 a.m. ET, Vice Chairman Richard Clarida speaks on the U.S. economic outlook and monetary policy at 11:30 a.m. ET and Mr. Kaplan speaks at an energy conference at 5:10 p.m. ET.

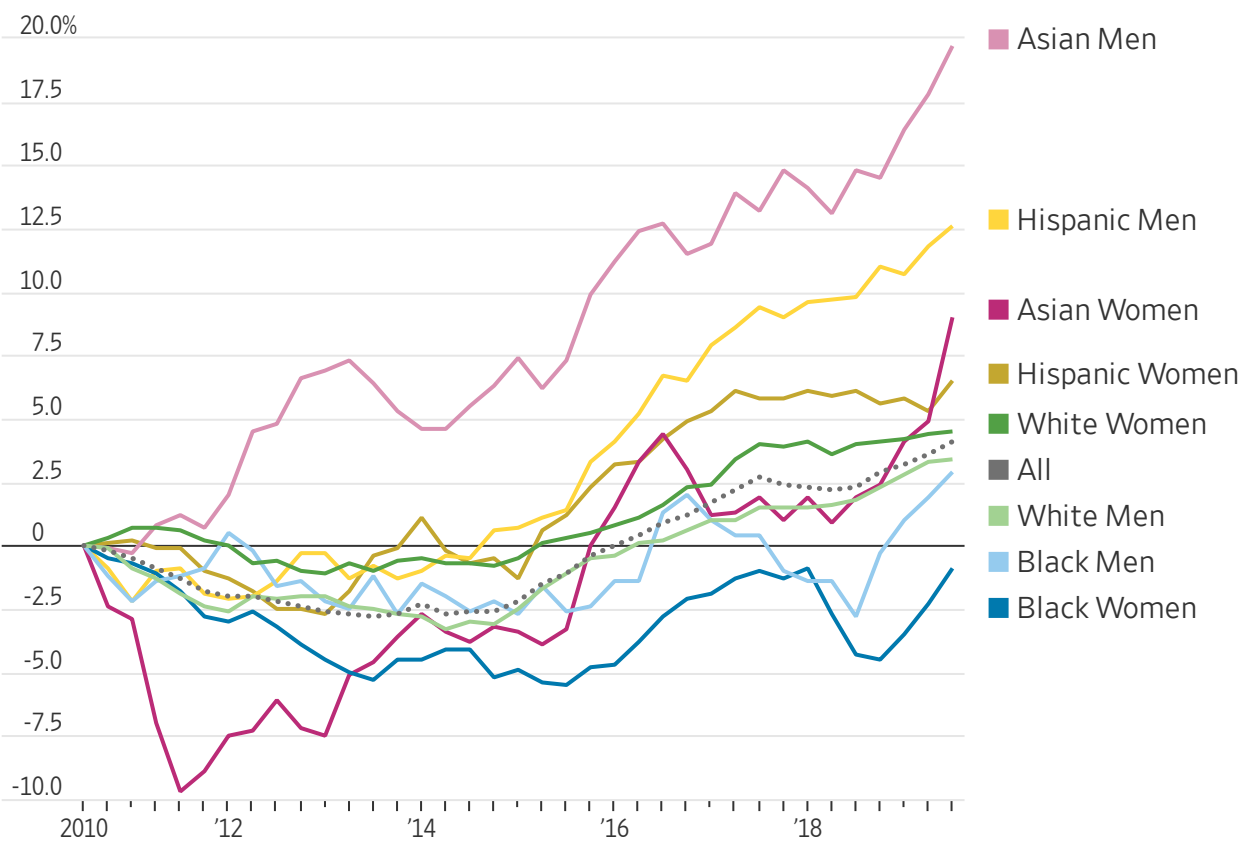
TOP STORIES

How You Doin’?

Worker wages are rising at a healthy clip so far this year, but the gains remain uneven by race and gender. Adjusting for inflation, median weekly earnings of full-time U.S. workers rose 1.7% in the third quarter from a year earlier to \$917.20, according to an analysis of Labor Department data. That was the best gain in two years.

- Since the historically long stretch of job creation began in the second half of 2010, Asian men saw the largest pay increase, almost 20%, adjusting for inflation. Earnings for Hispanic men rose 12.6% in that time, and wages for Asian women increased 9%.
  - Despite some recent gains, weekly wages for black women have declined 0.9% since 2010, when adjusting for inflation.
  - The analysis is based on a four-quarter moving average of wages to adjust for seasonality.
- Eric Morath and Soo Oh

Change in wages since 3Q 2010



Note: Adjusted for inflation and seasonality (four-quarter moving average).  
Source: Labor Department

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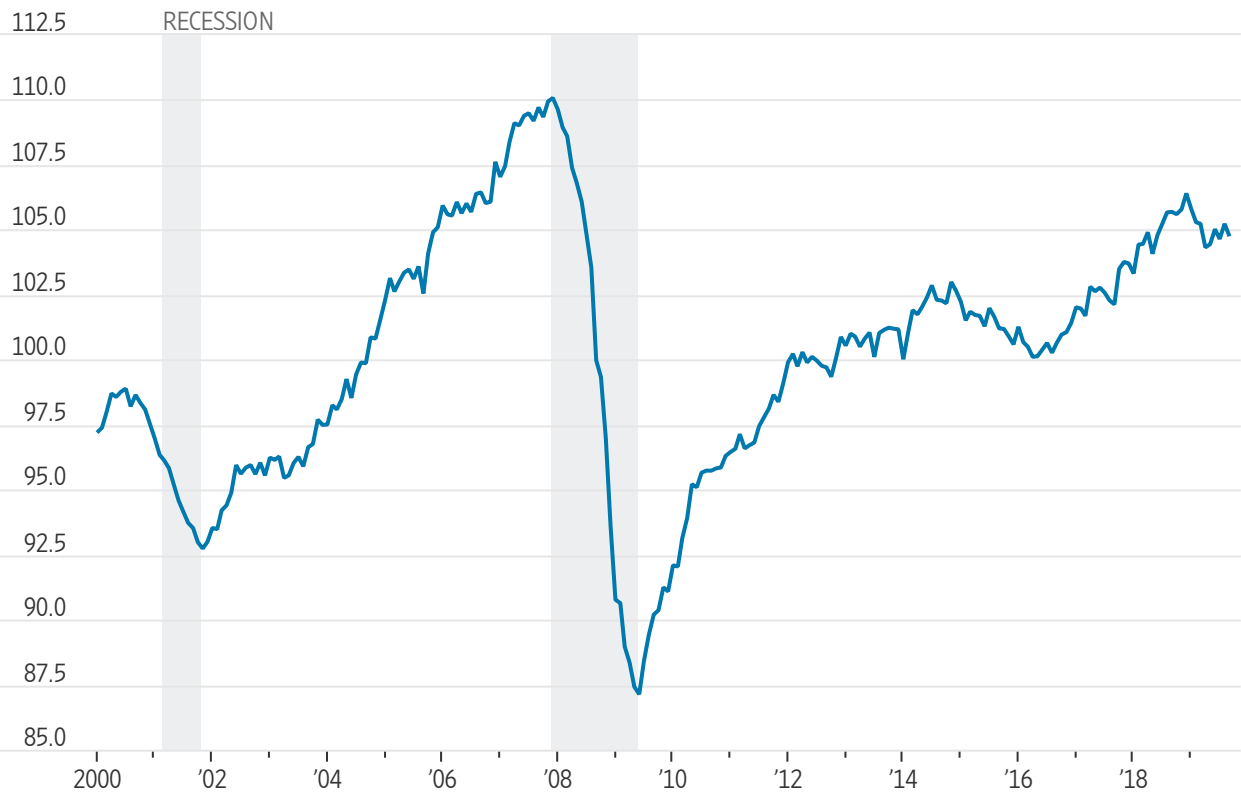
ng global growth and trade frictions are weighing on the economy. Production at factories was in part dragged down by a strike at General Motors, but showed broad-based fragility. Weakness in

the U.S. economy this year has largely been contained to manufacturing and business investment, but signs suggest the slowdown could be spreading, Sarah Chaney reports.

- **Paint it black:** PPG Industries said broad manufacturing weakness dented its third-quarter sales of coatings used by factories and car makers. The outlook isn't great. "We expect global economic activity to remain weak in the fourth quarter," Chief Executive Michael McGarry said.

**Factory Floor**

The Fed's index for manufacturing output shows that activity has declined since December.



Note: Seasonally adjusted  
Source: Federal Reserve via the St. Louis Fed

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to cut interest rates but also debating whether they've done enough to vaccinate the economy against growing risks of a sharper slowdown. The big questions: whether to call time-out on the current sequence of rate cuts, how much time they need to assess the effect of those moves and how to communicate their plans. Officials last month cut their benchmark rate for the second time this year. Fed Vice Chairman Richard Clarida will speak Friday, delivering the last word from a member of the central bank's inner circle before the Fed's customary premeeting quiet period begins Saturday, Nick Timiraos reports.

**The Blame Game**

## Market-implied probability the Fed cuts rates at least three times in 2019



Source: CME FedWatch Tool

President Trump's top economic adviser last week arranged an Oval Office briefing with outside experts who warned the president that continued escalation of U.S.-China trade tensions could imperil the economy and hurt Mr. Trump's chances for re-election. Mr. Trump's response: The Federal Reserve shared blame for any signs of a downturn, and should be doing more to stimulate growth, William Mauldin and Nick Timiraos report.

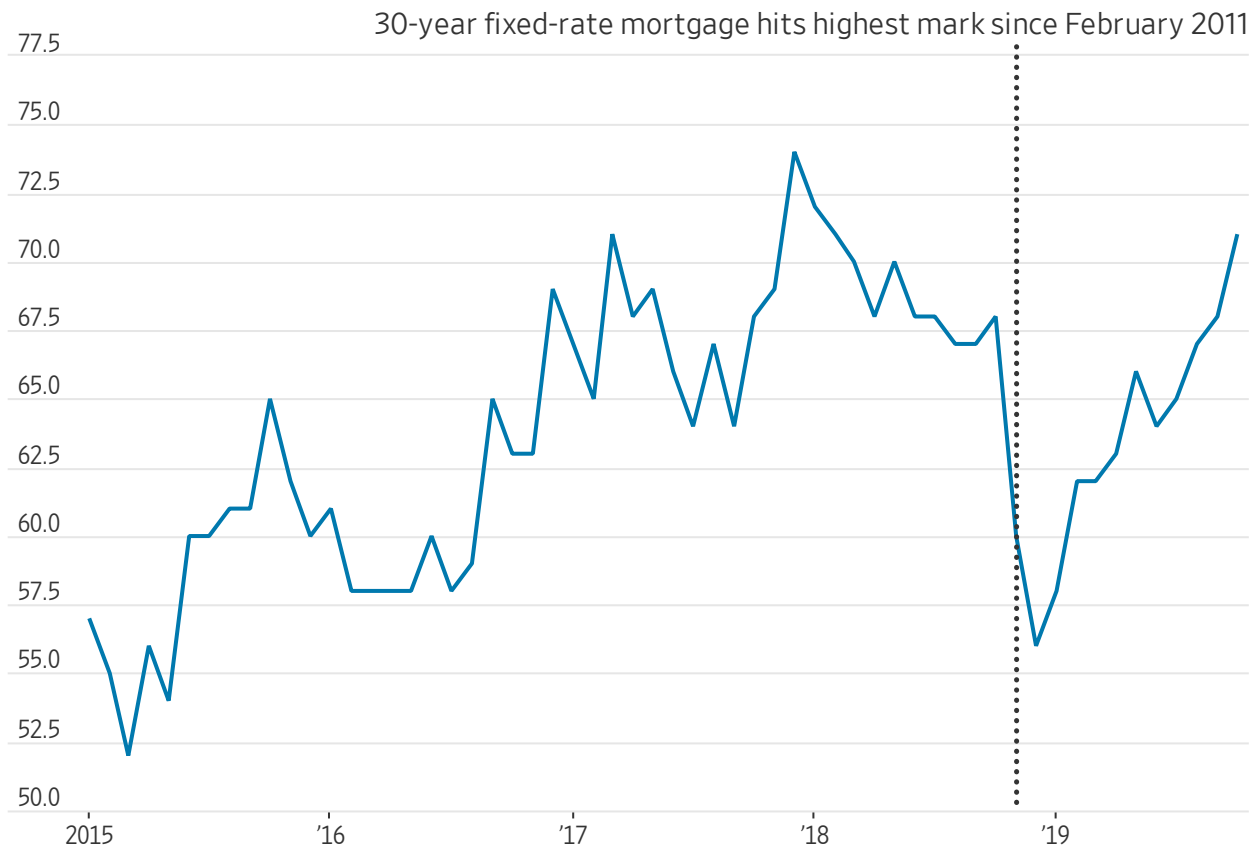
- **Who:** Larry Kudlow, the director of the White House National Economic Council, arranged the Oct. 8 briefing with Stephen Moore, an economic commentator and a former candidate for the Federal Reserve Board, and Republican economist Lawrence Lindsey.

## Housing's Tepid Comeback

It does seem the Fed's rate cuts have helped the housing market. Builders are feeling better, single-family construction is doing OK and for the first time in a long time housing won't be a drag on the economy.

**September housing starts** data showed single-family construction rising for the fourth straight month. Forecasters at Macroeconomic Advisers estimate the sector will add 0.2 percentage point

## National Association of Home Builders housing market index



Note: Seasonally adjusted. Over 50 indicates that more builders view conditions as good than poor.

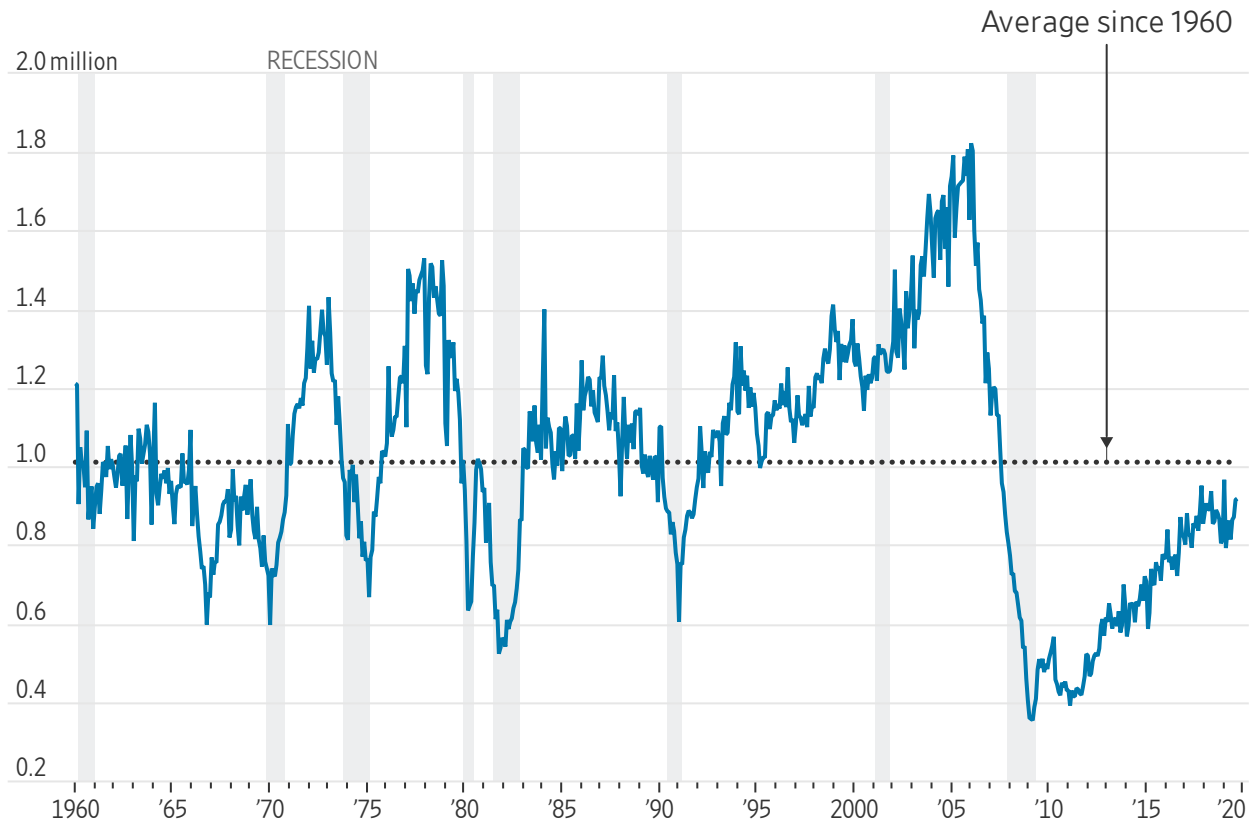
Sources: National Association of Home Builders (index), Freddie Mac (mortgage rates)

to U.S. GDP in the third quarter—small but still the first positive contribution since 2017.

**BoJo's Big Vote**

British Prime Minister Boris Johnson got his Brexit deal with the European Union. Now he turns to a daunting challenge at home: persuading the U.K.'s fractious Parliament to support it. To get there, he has to do much better than his predecessor Theresa May, whose own deal was voted down three times. Mr. Johnson is planning to convene lawmakers for a rare Saturday sitting to get started. A rejection of the deal by Parliament would set the stage for a general election later this year, Jason Douglas reports.

## U.S. single-family housing starts



Note: Seasonally adjusted annual rate

Source: Commerce Department

## WHAT ELSE WE'RE READING

**Tariffs aren't the only thing holding back international trade.** A strong dollar is too. "A strong dollar may actually serve to dampen trade volumes of emerging markets, rather than stimulate them. Our results complement the findings in Gopinath et al. (2019) who show that a 1% appreciation of the dollar leads to a 0.6% contraction in trade volume in the rest of the world under the assumption of sticky prices and dollar invoicing," Valentina Bruno and Hyun Song Shin write in a Bank for International Settlements working paper.

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