Business

Growth rate slips in the eurozone

FRANKFURT

With financial markets already nervous, risks in region are accumulating

BY JACK EWING

Economic growth in the eurozone has fallen to its slowest pace in more than four years, and Italy is not growing at all, according to figures that are likely to sharpen political divisions in the European Union and make the region more vulnerable to the forces rattling financial markets.

The eurozone grew 0.2 percent from July through September compared with the previous quarter, according to the European Union statistics agency. Separately, Italy's government statistics office said growth during the third quarter had been zero as manufacturing had slumped.

Both numbers were unexpectedly poor. Eurozone growth in the quarter was only half as fast as it had been in the previous three-month period, and the rate of growth has fallen in each of the last three quarters.

Italy's stagnation is likely to heighten the dispute between the populist government in Rome and officials in Brussels. The European Commission has said that Italy's proposed budget — full of debt-financed welfare programs — flouts spending limits that countries in the European Union are supposed to observe.

One of the European Commission's criticisms of the Italian budget is that it was based on overly optimistic estimates of future economic growth. Now those estimates look even less realistic.

Investors registered their disappointment by bidding up the market interest rate on Italian government bonds on Tuesday. That will only amplify the country's problems.

The rates on government bonds serve as benchmarks for the rates that Italians pay on business or consumer loans. Higher rates will squeeze spending and lead to yet slower growth.

"It's a self-defeating cycle," said Lorenzo Codogno, chief economist at LC Macro Advisors in London. "The government is shooting itself in the foot."

But Mr. Codogno said he doubted that the populist parties governing Italy would retreat from their campaign promises, such as increases in pensions. To do so, he said, "would be political suicide."

And Italy is not the only country in the eurozone facing political instability.

Germany is facing a difficult transition after Angela Merkel, the chancellor for 13 years, said on Monday that she would give up leadership of her conservative party in December and not seek re-election in 2021. The surprise announcement came after elections in the state of Hesse underlined a migration of voters from centrist parties to parties on the far left and far right.

The eurozone growth figure was a first estimate and contained no detail about what sectors led to the slowdown. Still, the causes are obvious enough.

They include the prospect that Britain's separation from the European Union will be disruptive; a trade war with the United States that has interfered with trans-Atlantic commerce; and rising interest rates as central banks roll back the stimulus programs they used to combat the last financial crisis.

Those risks are accumulating at the same time that financial markets are unusually nervous. Daily fluctuations in the prices of stocks, bonds, currencies and commodities like gold and copper are at their most extreme levels since 2008, when the last global financial crisis began, according to data compiled by analysts at the German bank Berenberg.

The one somewhat bright spot in the numbers Tuesday was France, which registered growth of 0.4 percent from the previous quarter. But, coming after two weaker quarters, even that above-average result was not enough to achieve the 1.7 percent pace of expansion that economists say President Emmanuel Macron needs to validate his program of business-friendly overhauls.

The changes have not yet brought widespread economic gains or job creation, damaging Mr. Macron's popularity with voters. The government needs the economy to expand by around 1.7 percent in each of the next four years if it is to maintain a pledge to cut unemployment to 7 percent, from more than 9 percent, by the next presidential election, economists say.

The disappointing growth in the eurozone as a whole was partly caused by factors that aren't likely to repeat, leaving room for hope that growth will pick up toward the end of the year.

For example, European car sales slumped 24 percent in September, as auto manufacturers struggled to comply with new, stricter emissions standards. Cars were slow to reach dealers because of delays in getting regulators to certify vehicles for sale. Manufacturers such as BMW and Daimler have also been caught in the crossfire of President Trump's trade war with China.

The slowdown in the car industry rippled through the eurozone and was probably most pronounced in Germany, the Continent's largest economy and engine of growth. Registrations of new Volkswagens slumped by nearly half in September, according to the European Automobile Manufacturers Association. The company at least temporarily lost its long-held status as the Continent's largest auto manufacturer to PSA of France, the maker of Peugeot and Citroën cars.

The brake on growth caused by the auto industry should dissipate soon, "and the euro economy is likely to grow more strongly again," Christoph Weil, an economist at Commerzbank in Frankfurt, said in a note to clients Tuesday.

But many other risks will remain, particularly Italy and a government seen by investors as reckless and determined to defy Brussels. The ultimate question facing the eurozone, and the world for that matter, is whether the problems of Italy and the tremors in financial markets signal another crisis.

Bernd Meyer, chief strategist for wealth and asset management at Berenberg, pointed out that prices for tech stocks or real estate were not at the extreme levels that preceded past meltdowns. During a meeting with reporters Tuesday, Mr. Meyer argued that market pressure on Italy would eventually force the government to relent on its spending plans. But, he added, "they will only back down when they are staring into the abyss."

Others are less sanguine about the eurozone's prospects. Nicola Nobile, lead economist at Oxford Economics, a consulting firm, noted that the European Commission's survey of economic sentiment also slipped Tuesday, though it remains well above crisis levels.

"Recent surveys," Mr. Nobile said in a note to clients, "are painting a rather bleak picture of eurozone growth."

Liz Alderman contributed reporting from Paris.

NADIA SHIRA COHEN FOR THE NEW YORK TIMES

A sweater factory in Solomeo, Italy. The country's economic stagnation is likely to intensify the dispute between the populist government in Rome and officials in Brussels.

A booming economy? Women aren't seeing it

BY BEN CASSELMAN AND JIM TANKERSLEY

A remarkable gender gap has opened up in Americans' views of their own finances and the broader national economy.

Men feel better about the economy than they have in over a decade. Women are far more skeptical. And the sharp divide has emerged since President Trump was elected two years ago.

Nearly half of men — 47 percent — said their family's finances had improved in the past year, according to a survey conducted for The New York Times in early October by the online research platform SurveyMonkey. Just 30 percent of women said the same, despite an unemployment rate that is near a five-decade low and economic growth that is on track for its best year since before the recession.

Asked how they expected the American economy to fare over the next five years, nearly two-thirds of men said they anticipated "continuous good times economically." Women were more likely to expect "periods of widespread unemployment or depression." The gaps remain even between men and women who are similar in age, race, education and income.

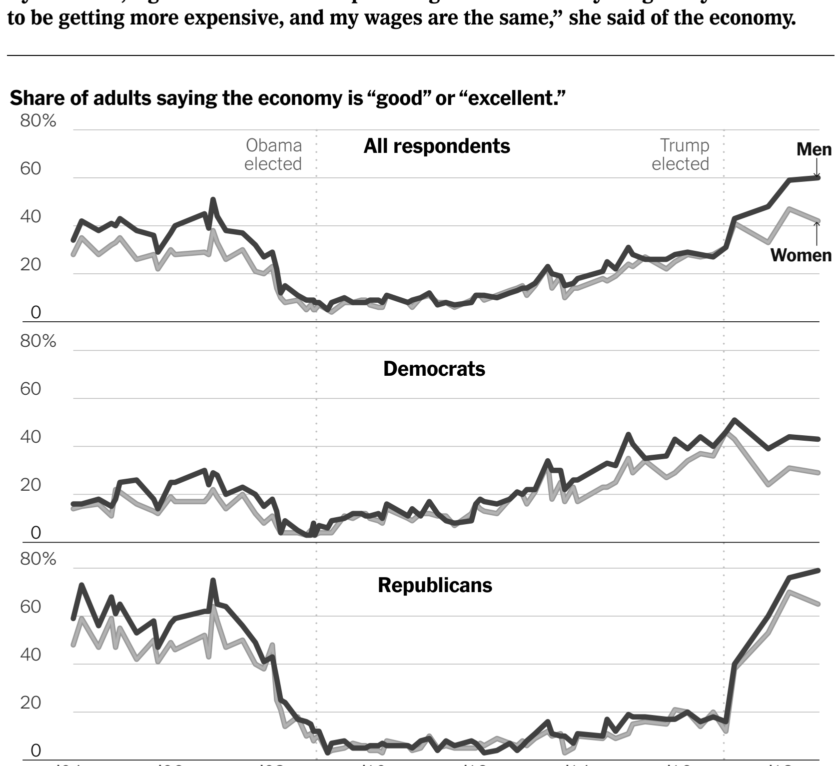
It isn't clear how men's and women's diverging views of the economy will affect next week's elections. There has historically been at most a loose connection between the state of the economy and midterm election results, and Mr. Trump's signature economic policies poll poorly with swing voters. What is clear is that the gender divide — transcending party lines and voting preferences — is a striking departure from the past.

Polls by the Pew Research Center going back to the mid-2000s showed almost no gender gap on economic questions until Mr. Trump took office; since then, men have become significantly more confident, while women's confidence has stalled.

The University of Michigan's consumer sentiment survey has long shown a small gender gap, but the divide grew after Mr. Trump's 2016 victory and in December reached its widest point on record. The gap has since narrowed slightly but remains larger than before the election.

ANDREW SENG FOR THE NEW YORK TIMES

Kylie Pierce, a grant writer for a nonprofit organization. "Everything in my life seems to be getting more expensive, and my wages are the same," she said of the economy.



Source: SurveyMonkey THE NEW YORK TIMES

Kylie Pierce and Paul Weeldreyer are both 38, both college graduates and both steadily employed — Ms. Pierce as a grant writer for a local nonprofit, Mr. Weeldreyer as a contract worker for Comcast. Both are financially stable but have struggled to build up savings or buy a home.

But while their circumstances are similar, their views of the economy differ sharply. Mr. Weeldreyer, a Wisconsin native who lives in Denver, said the local job market was strong. To the extent that his finances aren't where he would like them to be, he blames his own choices earlier in adulthood, not the economy more generally. He is confident in the future.

"It's frustrating not being able to buy a house and stuff, but I guess I don't lose sleep over it," he said. "I guess it'll work out."

Ms. Pierce sees things differently. She says there are plenty of jobs where she lives in central New York State, but pay has lagged. She dreams of the day she can pay her bills the day they arrive, rather than stalling until payday.

"It's gotten a lot harder to do the things that our parents may have done, buy the house and do all the American dream stuff," she said. "Everything in my life seems to be getting more expensive, and my wages are the same."

Ms. Pierce's and Mr. Weeldreyer's different perspectives may reflect, at least in part, different realities. Denver is in the midst of an economic boom. Rome, where Ms. Pierce lives, has seen a significant rebound in recent years but is still struggling compared with the country over all.

Their political views may also play a role. A registered Republican, Mr. Weeldreyer said he voted for Mr. Trump reluctantly in 2016 and hadn't decided how to vote in next week's midterms. But he said the economy was "probably the one area where I would say the president is doing a good job." Ms. Pierce is a member of the progressive Working Families Party and said she strongly opposed Mr. Trump's agenda.

Indeed, partisanship explains part of the gender gap. Americans' assessment of the economy has become increasingly closely tied to their political views in recent years. People who identify as Republicans and as supporters of Mr. Trump are far more likely to say the economy is performing well — and there are significantly more men than women in both groups.

Still, partisanship isn't the whole story. Among men who said they "strongly approve" of Mr. Trump's overall performance, 76 percent said their finances were better now than a year ago, according to the SurveyMonkey survey. That sentiment was expressed by just 65 percent of women who gave Mr. Trump strong overall marks. Other economic questions reveal a similar gap.

"Republican men are just more confident and more optimistic than even Republican women are," said Laura Wronski, a research scientist for SurveyMonkey.

Mr. Trump has repeatedly promoted his economic record, and Republican strategists are hoping the strong economy will help hold off a potential "blue wave" of Democratic victories next week.

Still, the economy seems to be doing little to win over groups of women who could be crucial to Republicans' chances. Ms. Wronski noted that college-educated suburban white women actually felt slightly worse about their finances than women over all — and far worse than similarly situated men. Perhaps not coincidentally, they also overwhelmingly said they planned to vote for Democrats in the midterms.

Diana Shue-Willis is exactly the kind of voter Republicans need to win over to keep control of the House. A college-educated Navy veteran in Virginia Beach, Va., Ms. Shue-Willis is a registered Republican. Her husband works in manu-

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How China could use a number in a trade fight

BEIJING

If currency falls below 7 to the dollar, it would be a help to exporters

BY KEITH BRADSHER

As the United States and China swap threats and mete out increasingly punishing tariffs, the world is watching to see whether Beijing turns to one of its most potent economic weapons. It involves the number 7.

China's currency, the renminbi, has been gradually losing value since mid-April, and on Tuesday it was at its weakest point in a decade. If the currency weakens any further, it could fall below the psychologically important level of 7 renminbi to the dollar. The last time it took more than 7 renminbi to buy a dollar was in May 2008, as the world was slipping into a financial crisis.

The Trump administration doesn't like the idea of a weaker Chinese currency. That could give what it considers an unfair advantage to China's exporters. In the arsenal of trade disputes, currencies can be potent weapons.

But China has good reason to keep its currency from weakening, and it appears to have acted in recent weeks to prop it up. Currencies may be potent weapons, but they are blunt ones — and they can boomerang against those who use them.

WHAT HAPPENS AT THE THRESHOLD?

There is nothing particularly threatening about the number 7 itself. The renminbi at 7.002 to the dollar is pretty similar to the currency at 6.998 to the dollar.

But the renminbi's falling past that number would be significant symbolically. It would suggest China is prepared to let its currency weaken further still. That would give China's factory owners an advantage when they sell their goods in the United States. It would also undermine the tariffs the Trump administration has levied on more than $250 billion worth of Chinese-made products.

HOW WOULD THAT HELP CHINA?

Say you own a Chinese factory making lawn ornaments, and you sell a lot of pink flamingos to an American retailer. You price each at $1 — they may sell for far more in the United States, but shipping and storage account for most of that. When the renminbi is 6 to the dollar, that translates to 6 renminbi in sales.

But when the currency depreciates to 7 to the dollar, that $1 flamingo is worth 7 renminbi in sales to you. Or you can cut the price — say, from $1 to 85.7 cents — and still make your original 6 renminbi in sales. Your American competitor, who has to buy and sell in dollars, has to grudgingly cut prices to compete.

(It's a lot more complicated in the real world. The plastic and metal for the plastic flamingo may have been imported by China and be priced in dollars. But bear with us.)

A weaker currency can also help Chinese exporters beat President Trump's tariffs. Right now, the United States imposes tariffs of about 10 percent on a wide variety of Chinese goods that arrive at an American port. If the renminbi has fallen 10 percent, the tariff is basically nullified.

WHAT'S DRIVING THE DECLINE?

Some politicians in the United States and elsewhere have long said that China manipulates its currency, even though Washington officials — including those in the Trump administration — have stopped short of official accusations. But in this case, many of the forces weakening the currency are beyond Beijing's immediate control.

China's financial system is firmly controlled by the government, giving the country's leaders a great degree of control over how much the renminbi is worth. Officials set a daily benchmark rate for the renminbi and allow its value to move a smidgen above or below that level in currency markets. Chinese officials say each day's trading activity helps determine the value they set for the renminbi the next day, but they disclose few details about how that works.

On Tuesday, Beijing set that guidepost at 6.9574, just a hair's breadth stronger than 7. In the world of foreign exchange, a higher number means a weaker currency.

Right now, traders are sending Beijing a single message: The renminbi should be worth less. The people and companies that hold the currency have become increasingly nervous about China's slowing economic growth, slumping stock market, fragile real estate market and seemingly intractable trade war with the United States. Inflation has begun to tick upward, and rising prices tend to make holding the relevant currency less attractive.

There are other reasons. Since late July, Beijing has tried to prop up the economy by having the state-controlled banking sector increase lending, mak-

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