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WSJ Survey: Majority of Economists Say Manufacturing Sector in Recession

Forecasters' estimates for economic growth in the second half of 2019 also ticked lower

By Harriet Torry
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U.S. manufacturing is in recession, two-thirds of economic forecasters said in a survey, and overall growth in the second half of 2019 is expected to further slow.

In a Wall Street Journal economic survey conducted in recent days, 65.3% of private-sector forecasters said the manufacturing sector was in recession, or two or more consecutive quarters of contraction.

Forecasters' estimates for economic growth in the second half of 2019 also ticked lower, with U.S. economic output to grow, on average, at a 1.82% pace in the third quarter and a 1.77% rate in the fourth quarter. Those figures are down from a September survey predicting 1.92% and 1.81% growth rates, respectively.

Respondents largely cited the uncertain trade picture, weak global growth and U.S. political developments in their comments on the economic outlook.

“It’s a laundry list of ‘shocks’ that are coming one after the other: global growth hiccups, Boeing Max fiasco, IPO market fizzle, GM strike, election cycle swoon and getting compounded by the impeachment drama,” said Georgia State University economist Rajeev Dhawan.

He is among the 55 economists the Journal surveyed from Oct. 4 to Oct. 8, although not every respondent answered every question.

Manufacturing data is closely watched not just for what it says about factories, but for the signal it sends about demand in the wider economy. U.S. factory activity contracted for the second straight month in September and hit a 10-year low, the Institute for Supply Management reported earlier this month.

New orders for durable goods—products designed to last at least three years, such as computers and machinery—were down 4.2% in August from a year earlier, the Commerce Department said last month.

“But factory employment is still among the highest we’ve seen in more than a decade, so it’s premature to say it is in recession,” said **Bernard Baumohl, chief global economist at the Economic Outlook Group**, in the survey.

Chad Moutray, the National Association of Manufacturers' chief economist, said manufacturing business leaders are pushing for greater certainty on trade, including a reworked trade agreement with Mexico and Canada and a bilateral trade agreement with China.

Manufacturing makes up a relatively small slice of GDP, accounting for about 11% of total output and about 10% of total private employment. A contraction in the sector doesn't necessarily mean the 10-year-old expansion is about to end.

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