

"All the News That's Fit to Print"

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FRIDAY, JULY 29, 2022

National Edition
Upper Midwest: Morning showers far south. Partly to mostly sunny otherwise. Highs in 70s to 90s. Mostly clear tonight. Lows in 50s to lower 60s. Weather map, Page D16.
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THE WALL STREET JOURNAL

FRIDAY, JULY 29, 2022 - VOL. CCLXXX No. 24 WSJ.com ***** \$5.00
DIA 3259.63 a 1230.101 NASDAQ 1262.59 a 1.1% STOX600 4327.7 a 1.3% 10-YR TREAS. a 1.92% yield 2.680% OIL \$84.42 a \$0.04 GOLD \$1755.90 a \$50.20 EURO \$1.0706 YEN 149.25

ECONOMY SHRINKS AGAIN, AMPLIFYING FEAR OF RECESSION

G.D.P. Falls for Second Straight Quarter as the Fed Tries to Tame Inflation

By BEN CASSELLMAN

A key measure of economic output fell for the second straight quarter, raising fears that the United States could be entering a recession — or perhaps that one had already begun.

Gross domestic product, adjusted for inflation, fell 0.9 percent in the second quarter, the Commerce Department said Thursday. That drop followed a decline of 0.4 percent in the first quarter. The estimates for both periods were revised in coming months as government statisticians get more complete data.

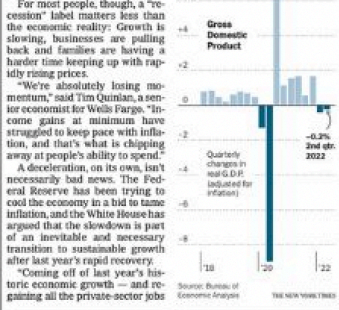
News of the back-to-back contractions heightened a debate in Washington over whether a recession had begun and, if so, whether President Biden was to blame. Economists largely say that conditions do not meet the formal definition of a recession but that the risks of one are rising.

For most people, though, a "recession" label matters less than the economic reality: Growth is slowing, businesses are pulling back, and investors are jettisoning a harder time keeping up with rapidly rising prices.

"We're absolutely losing momentum," said Jim Quinlan, a senior economist for Wells Fargo. "Income gains at minimum have struggled to keep pace with inflation, and that's what is chipping away at people's ability to spend."

A declaration, on its own, isn't necessarily bad news. The Federal Reserve has been trying to cool the economy in a bid to tame inflation, and the White House has argued that the slowdown is part of an inevitable and necessary transition to sustainable growth after last year's rapid recovery.

"Coming off of last year's historic economic growth — and reining in the private-sector jobs



Two Democrats Buried Grudges To Salvage Deal

By EMILY COCHRANE and ANNIE KARNI

WASHINGTON — Senator Chuck Schumer, the majority leader, and Senator Joe Manchin III, Democrat of West Virginia, both men nursing resentments over the chain of personnel behind the discussion on Thursday by said Foreign Minister Sergey V. Lavrov was too busy to talk with Mr. Blinken now.

The disclosure of the negotiations raised obvious questions about what, if any, standards should apply when the United States agreed to trade prisoners, a conundrum that has challenged the nation's leaders since its

Bound for Belly Rubs and Grassy Yards

Some 4,000 beagles that were headed for testing labs didn't have names or know how to play. Volunteers are now preparing them for lives with foster owners and adoptive families. Page A9.

What's News

Business & Finance

The U.S. economy shrank for a second quarter in a row, a confirmation of recession, with GDP falling an inflation and seasonally adjusted annual rate of 0.9% in the second quarter. AI

U.S. stocks ended higher despite the GDP data, as the S&P 500, Nasdaq and Dow notched gains of 1.2%, 1.1% and 1%, respectively. AI

Jack Ma plans to relinquish control of Ant Group, the fintech giant, to the regulator, part of the fintech giant's effort to move away from Alibaba. AI

Apple reported an almost 11% decline in profit after weathering supply constraints and shutdowns in China, although iPhone sales continued to grow. AI

Amazon posted slowing sales and a net loss for the second straight quarter, as the company's cloud computing was outweighed by weakness in core retail operations. AI

Netflix agreed to buy back \$5.8 billion of shares, a combination that would create the fifth-largest U.S. share buyback in the second quarter. AI

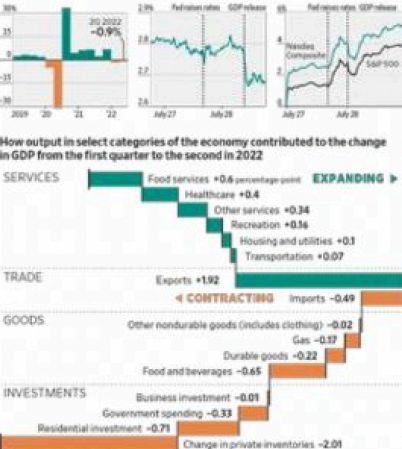
Sales from Pfizer's Covid-19 vaccine and Paxlovid pill gave the company a boost in the second quarter. AI

Altria slashed the value of its stock, as the Dow Jones fell by about 700 points. AI

Intel reported a surprise quarterly loss of \$1.1 billion, as the company's revenue fell in its full-year update. AI

Shell notified a second quarterly profit cut, as the company's oil and gas prices fell. AI

GDP Drop Stokes Recession Fears



Apple's Profit Falls But iPhone Sales Remain Resilient

By TIM BRIDGES

Apple Inc. reported an almost 11% decline in profit after weathering supply constraints and shutdowns in China, although iPhone sales continued to grow, resulting in a surprise quarterly loss of \$1.1 billion, as the company's revenue fell in its full-year update.

Apple's profit fell 10% to \$1.1 billion, as the company's revenue fell 1% to \$100.5 billion. iPhone sales were resilient, growing 1% to \$20.5 billion. Services revenue grew 11% to \$20.5 billion.

Apple's profit margin fell to 10.9%, as the company's operating expenses rose 11% to \$11.6 billion. The company's operating margin fell to 10.9%, as the company's operating expenses rose 11% to \$11.6 billion.

German Economic Engine Falters

By TOM PHILLIPS

Germany's economy hasn't grown for nearly five years. Its recovery from the Covid-19 pandemic has been weaker than any major advanced economy. Its ability to fill its energy needs is in question. And now the country once known as the economic engine of Europe is teetering on the brink of a recession.

It's a sharp turn of fortunes for Germany's large manufacturing sector, which flourished over the past two decades but is now being forced to shut down its doors Thursday with its capacity to produce at a loss.

Germany's big and long-sustained success on manufacturing relied on four engines: Free and open global trade, surging demand from China, an efficient domestic workforce and cheap Russian energy. Each of those is now splintering.

Trade bottlenecks, the Covid-19 pandemic and the war in Ukraine have upended supply chains and caused prices to skyrocket.

Growth in China, Germany's largest trading partner, has slowed dramatically, as its workers seem to start to shrink, and it needs the influx of investment-driven growth.

Ant Group's Founder Ma Plans to Give Up Control

By JIM YONG AND HONG KONG

Jack Ma plans to relinquish control of Ant Group Co., the fintech giant, to the regulator, part of the fintech giant's effort to move away from Alibaba Group Holding Ltd. after more than a year of extraordinary pressure from Chinese regulators.

The authorities halted Ant's \$34 billion IPO in 2020 at the 11% level and are forcing the technology firm to reorganize as a financial holding company regulated by China's central bank. As the overhaul progresses, Ant is taking the opportunity to reduce its company's reliance on Mr. Ma, who founded Alibaba.

Mr. Ma, a 57-year-old former English teacher and one of China's most prominent entrepreneurs, has been the face of government action that appears designed to reduce his influence and the power of his companies. He has controlled Ant since he carved his private assets out of Alibaba more than a decade ago. Over time he built it into a company that

Tough Choices In a U.S. Deal To Free Griner

By PETER BAKER

WASHINGTON — One is perhaps the world's most notorious arms dealer, a man known as the "Merchant of Death" who sold weapons to terrorists, rebels and militants around the world before finally being hunted down and locked up for conspiring to kill Americans.

The other is a basketball player who got caught with a little hashish oil.

By no measure are they comparable, yet the Biden administration has proposed trading the merchant of death for the imprisoned basketball player as well as a former marine held in Russia on what are considered trumped-up espionage charges. In the harsh and cynical world of international diplomacy, prisoner exchanges are rarely pretty, but unpalatable choices are often the only choices on the table.

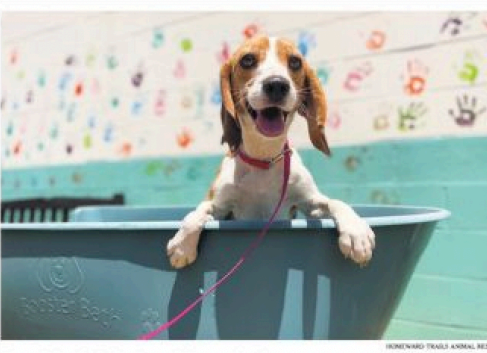
Pope Makes His Frailty a Lesson in Compassion

By JASON HOROWITZ

LAC STE ANNE, Alberta — When Pope Francis landed in Canada this week, he lumbered out of a car on the tarmac, hobbled by difficulty to an awaiting wheelchair and froze in place as cameras shot at close range the spectacle of an aide adjusting the pontiff's footrests.

On a makeshift stage outside an Indigenous cemetery in Alberta, the world watched as he gathered his strength and grasped the arms of the aide, who lifted him out of his wheelchair.

In Lac Ste. Anne, a remote lake town renowned for its miraculous healing powers, hundreds of wor-



Seeking to Avoid Errors of 2016 Investigations

Attorney General Merrick B. Garland is intent on avoiding even the slightest errors, which could taint the current investigation, provide Mr. Trump's defenders with reasons to claim the inquiry has prompted persistent — and cautious — reminders of the backlash caused by inquiries into Mr. Trump and Hillary Clinton during the 2016 presidential campaign.

Seeking to Avoid Errors of 2016 Investigations

Mr. Garland never seriously considered focusing on Mr. Trump from the outset, as investigators had done earlier with Mr. Trump and with Mrs. Clinton during her email investigation, people close to him say. As a result, his investigators have taken a more methodical approach, carefully climbing up the chain of personnel behind the 2020 plan to name fake state supporters of Trump electors in battleground states that had been won by Joseph R. Biden Jr.

Justice Dept., Wary of Backlash, Treads Lightly in Jan. 6 Inquiry

This article by Glenn Thrush, Adam Goldman and Katie Bender.

As the Justice Department investigation into the attack on the Capitol grounds ever closer to former President Donald J. Trump, it has prompted persistent — and cautious — reminders of the backlash caused by inquiries into Mr. Trump and Hillary Clinton during the 2016 presidential campaign.

In Climate Bill, U.S. Gets Reset On World Stage

By LISA FRIEDMAN and BRAD PLUMER

WASHINGTON — The \$369 billion climate and tax package forged in a surprise deal by Senate Democrats would be the most ambitious action ever taken by the United States to try to stave off the planet from catastrophically overheating.

The agreement, which Senate Democrats announced late Wednesday and hope to pass as early as next week, shocked even some who had been involved in the sputtering negotiations over climate legislation during the past year. The announcement of a deal, after many activists had given up hope, almost instantly reset the role of the United States in the global effort to fight climate change.

And it was delivered by Senator Joe Manchin III of West Virginia, the holdout Democrat who had been reviled by environmentalists and some of his own colleagues as he said this month that he could not support a climate bill because of inflation concerns.

"By a wide margin, this legislation will be the greatest pro-environment legislation that has ever been passed by Congress," Senator Chuck Schumer, the Democratic majority leader, said in a statement after the deal with Manchin.

The bill aims to tackle global warming by using billions of dol-

Russia Strikes Kyiv Region

Smoke rises on the outskirts of Kyiv, Ukraine, as a Russian missile hit a military base.

Russia struck a military base in the Kyiv region in the past few weeks, as fighting continued in the east and south of Ukraine. AI

Chip Makers Talk Big About Size

The race to be small sparks confusion.

By JIMMO SWAN AND YAN XU

The makers of semiconductor chips are competing to be the smallest, not the largest, in the industry.

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Inside Climate Bill, A Broad Energy Push

By THOMAS PHO and ANN KATZ STICKS PEARL

WASHINGTON — Senate Democrats are moving forward on the costliest and most ambitious effort ever by the U.S. to address climate change, powered in part by benefits for fossil fuels and the broader energy industry.

The proposed \$369 billion compromise bill struck by Senate Majority Leader Chuck Schumer (D., N.Y.) and Sen. Joe Manchin (D., W.Va.) includes tax incentives aimed at encouraging billions of dollars in wind, solar and battery developments that put clean power onto the grid.

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INSIDE

MANSON
The saga behind 'The One, one of the Most Audacious Heists in American history' M1

BUSINESS & FINANCE
JetBlue agrees to buy Spirit Airlines for \$3.8 billion after competitor deal dies. B1