
Metro Milwaukee Business Outlook Survey Third-Quarter, 2016

Prepared by:
Economic Research Division
Metropolitan Milwaukee Association of Commerce

June 28, 2016



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Business expectations toward 2016's third quarter are somewhat mixed, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). Sixty-five percent of businesses surveyed see rising real sales levels in 2016's third quarter (vs. year ago levels), while over half expect increased profits and 44% see employment level gains.

“Optimism toward future growth prospects in the metro area are down a bit among most business activity measures. Nonetheless, overall optimism generally remains at levels where continuing growth would be expected,” said Bret Mayborne, the MMAC's economic research director. “These results suggest that while growth is likely to continue, the pace of growth may be slower than average.”

Sixty-five percent of surveyed businesses see rising real sales levels for the third quarter (vs. 2015's third quarter), matching the 65% who forecast second-quarter gains. Currently, only 10% see declines in third-quarter sales levels, while 26% expect no change.

Non-manufacturers and larger employers surveyed were more confident of improving third-quarter sales levels than manufacturers and small businesses. Sixty-eight percent of non-manufacturers see third-quarter sales gains (vs. 2015's third quarter), while 59% of manufacturers see such increases. By employment size, 71% of large companies (100 or more employees) surveyed see third-quarter sales gains vs. 59% among small companies.

Profit expectations fell slightly for 2016's third quarter. Fifty-eight percent of all businesses surveyed see increases in third-quarter profit levels (vs. year ago levels), down from the 61% who predicted second-quarter gains. Ten percent see declines in third-quarter profits, while 32% expect no change.

Job gains in the metro area have been sluggish over 2016's first five months, averaging 0.7% year-over-year. Employment growth at this level ranks significantly under the average annual rate posted over the course of the job recovery period (+1.1% in the October, 2010 to present period).

Nonetheless, jobs in the metro area have now posted 68 consecutive months of year-over-year employment growth. Survey results suggest that growth is likely to continue however modest. Businesses forecasting third-quarter 2016 employment gains (44%) vs. year-ago levels outnumber those expecting job declines (13%) by over a three-to-one margin. Job expectations are somewhat lower than those expressed for 2016's second quarter when 46% of respondents forecast employment growth (vs. 2015's second quarter).

Non-manufacturers are more likely to forecast third-quarter employment gains (46% expect increases vs. year-ago levels) than manufacturers (where 39% see such gains). Further, large companies are more optimistic than small employers (49% vs. 39% respectively see job gains).

Potential increases in metro area wages and salaries seem to be gaining some momentum, perhaps the result of a tightening labor market. After floating in the 2 to 2.6% range for over five years, businesses surveyed expect per employee wages and salaries to increase at a 3% rate in the next 12 months. This ranks as the highest such increase forecast since 2008's first quarter (when a 3.1% rise was forecast).

Calendar Year 2016 Expectations

Survey respondents have downgraded sales expectations toward calendar year 2016 in each successive quarter. At year's start, 75% of all businesses surveyed expected real sales increases for 2016 as a whole. That percentage fell to 70% three months ago and now, with six months under their belts, 68% of businesses surveyed expect increases for the year as a whole. Those currently forecasting sales gains outnumber the 13% expecting 2016 sales declines and the 19% who predict no change.

Optimism towards profit levels have likewise dropped since year's beginning. Sixty percent of businesses predict profit increases in 2016, while 12% see declines (the remaining 27% predict no change). The current percentage expecting profit increases for the year is down from the 65% who opened 2016 expecting profit gains.

Employment expectations for the year are surprisingly optimistic. Fifty-five percent of employers surveyed forecast employment increases in 2016 for their local operations, outnumbering those who expect job declines (16%). Twenty-nine percent see no change. This marks a notable increase from the year's start when just over half (51%) of those surveyed predicted 2016 job gains.

Capital spending plans also rose. Fifty percent of employers surveyed see increased capital spending for the year, while 32% see no change. Only 19% expect capital spending declines for the year. The current percentage seeing increases rose from the 39% who predicted capital expenditure gains at the beginning of 2016.

Inflation expectations remain moderate. The largest number of those surveyed (52%) see price inflation falling in the 3% to 5% range for 2016. Forty-three percent forecast inflation of 2% or less, while only 5% see inflation falling in the 6% or above range.

The Business Outlook Survey, conducted by the MMAC, contains responses from 113 Milwaukee area firms, both large and small, employing more than 43,250 people.

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MMAC's Third-Quarter 2016 Business Outlook Survey*

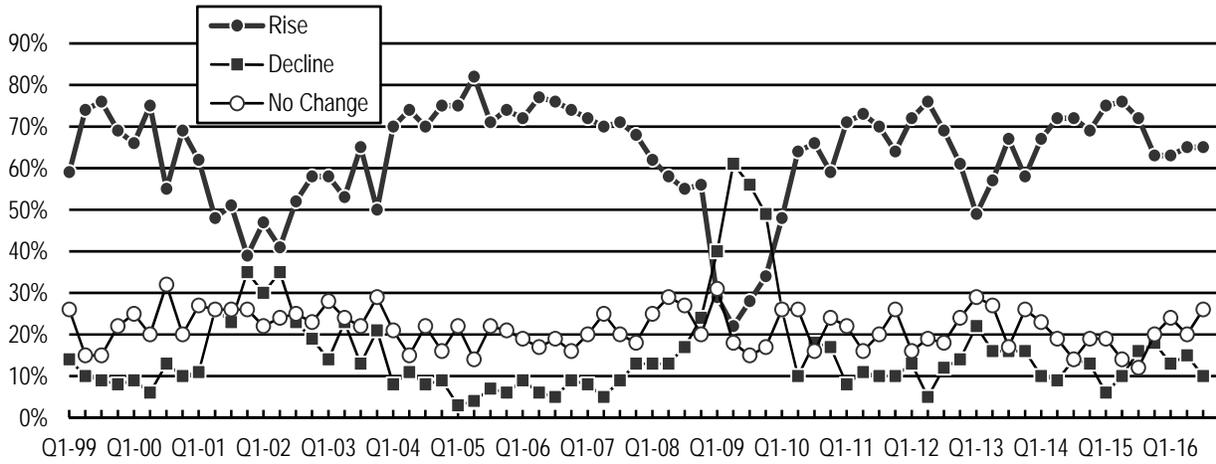
	Firms Expecting a:	Employers by Size		Employers by Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Manuf.	
2016 Forecast						
Change in the dollar volume of Sales (net of inflationary effects) expected by 113 Milwaukee area firms for the entire year of 2016 vs. the entire year of 2015:	RISE :	42 (81%)	35 (57%)	20 (51%)	57 (77%)	77 (68%)
	DECLINE :	3 (6%)	12 (20%)	11 (28%)	4 (5%)	15 (13%)
	NO CHANGE :	7 (13%)	14 (23%)	8 (21%)	13 (18%)	21 (19%)
Change in dollar volume of Profits expected by 113 Milwaukee area firms for the entire year of 2016 vs. the entire year of 2015:	RISE :	34 (65%)	34 (56%)	17 (44%)	51 (69%)	68 (60%)
	DECLINE :	7 (13%)	7 (11%)	8 (21%)	6 (8%)	14 (12%)
	NO CHANGE :	11 (21%)	20 (33%)	14 (36%)	17 (23%)	31 (27%)
Change in the dollar volume of Capital Expenditures expected by 113 Milwaukee area firms for the entire year of 2016 vs. the entire year of 2015:	RISE :	29 (56%)	27 (44%)	16 (41%)	40 (54%)	56 (50%)
	DECLINE :	7 (13%)	14 (23%)	10 (26%)	11 (15%)	21 (19%)
	NO CHANGE :	16 (31%)	20 (33%)	13 (33%)	23 (31%)	36 (32%)
Rate of Inflation expected to affect 111 Milwaukee area operations for the entire year of 2016:	0-2% INFLATION :	22 (43%)	26 (43%)	19 (49%)	29 (40%)	48 (43%)
	3-5% INFLATION :	28 (55%)	30 (50%)	19 (49%)	39 (54%)	58 (52%)
	6-9% INFLATION :	1 (2%)	3 (5%)	1 (3%)	3 (4%)	4 (4%)
	10% or more :	0 (0%)	1 (2%)	0 (0%)	1 (1%)	1 (1%)
Change in the level of Total Employment expected by 112 Milwaukee area firms for the entire year of 2016 vs. 2015:	RISE :	31 (61%)	31 (51%)	18 (47%)	44 (59%)	62 (55%)
	DECLINE :	8 (16%)	10 (16%)	13 (34%)	5 (7%)	18 (16%)
	NO CHANGE :	12 (24%)	20 (33%)	7 (18%)	25 (34%)	32 (29%)
2016 Third Quarter (Compared to Previous Quarter)						
Change in dollar volume of Sales (net of inflationary effects) expected by 112 Milwaukee area firms for 3rd quarter 2016 vs. 2nd quarter 2016:	RISE :	34 (65%)	33 (55%)	18 (47%)	49 (66%)	67 (60%)
	DECLINE :	4 (8%)	9 (15%)	7 (18%)	6 (8%)	13 (12%)
	NO CHANGE :	14 (27%)	18 (30%)	13 (34%)	19 (26%)	32 (29%)
2016 Third Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of Sales (net of inflationary effects) expected by 113 Milwaukee area firms for the 3rd quarter 2016 vs. 3rd quarter 2015:	RISE :	37 (71%)	36 (59%)	23 (59%)	50 (68%)	73 (65%)
	DECLINE :	3 (6%)	8 (13%)	5 (13%)	6 (8%)	11 (10%)
	NO CHANGE :	12 (23%)	17 (28%)	11 (28%)	18 (24%)	29 (26%)
Change in the dollar volume of Profits expected by 112 Milwaukee firms for the 3rd quarter 2016 vs. 3rd quarter of 2015:	RISE :	31 (61%)	34 (56%)	20 (53%)	45 (61%)	65 (58%)
	DECLINE :	5 (10%)	6 (10%)	6 (16%)	5 (7%)	11 (10%)
	NO CHANGE :	15 (29%)	21 (34%)	12 (32%)	24 (32%)	36 (32%)
Change in the level of Total Employment expected by 112 Milwaukee area firms for the 3rd quarter 2016 vs. 3rd quarter 2015:	RISE :	25 (49%)	24 (39%)	15 (39%)	34 (46%)	49 (44%)
	DECLINE :	9 (18%)	6 (10%)	10 (26%)	5 (7%)	15 (13%)
	NO CHANGE :	17 (33%)	31 (51%)	13 (34%)	35 (47%)	48 (43%)
Change in the per person, employee Wages & Salaries expected in the next 12 months:	AVERAGE :	3.0%	3.0%	2.7%	3.1%	3.0%

* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 people.

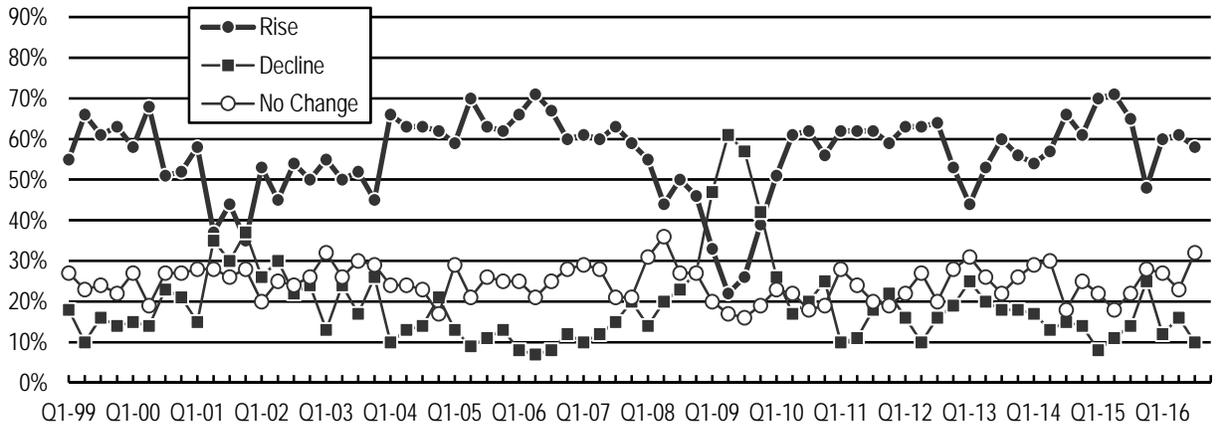
Quarterly Real Sales Expectations - Metro Milwaukee

(% of businesses expecting rise, decline or no chg. from same quarter one year ago)



Quarterly Real Profit Expectations - Metro Milwaukee

(% of businesses expecting rise, decline or no chg. from same quarter one year ago)



Quarterly Employment Expectations - Metro Milwaukee

(% of businesses expecting rise, decline or no chg. from same quarter one year ago)

