Metro Milwaukee Business Outlook Survey
Fourth-Quarter, 2016

Prepared by:
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Metropolitan Milwaukee Association of Commerce

September 27, 2016

MMAC
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Milwaukee area businesses remain generally optimistic toward calendar year business activity, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). A majority of businesses surveyed see rising sales, profit and employment levels for their local operations in 2016's fourth quarter.

"Overall the percentage of businesses forecasting quarterly gains are somewhat modest but do suggest continuing growth through the remainder of 2016," said Bret Mayborne, the MMAC's economic research director. "Businesses expressed the greatest optimism toward fourth-quarter job levels, where optimism reached its highest level in six quarters."

Quarterly real sales expectations have been very consistent over the course of 2016, with 63% to 65% of companies surveyed predicting year-over-year real sales growth in their respective quarters. For 2016's fourth quarter, 63% of all businesses project sales increases vs. year-ago levels. The current forecast is down modestly from the 65% who predicted sales growth for 2016's third quarter (vs. year-ago levels). Currently, 17% see declines, while 21% expect no change in future sales levels.

Expectations by industry and employment size were evenly distributed. Sixty-three percent of non-manufacturers see fourth-quarter sales gains (vs. 2015's fourth quarter), while 62% of manufacturers see such increases. The expectation gap between large and small employers was likewise modest. Sixty-three of small companies surveyed see fourth-quarter sales gains vs. 62% among large companies (100 or more employees).

Profit expectations followed a similar but somewhat less optimistic pattern as sales. Fifty-seven percent of all businesses surveyed see increases in fourth-quarter profit levels (vs. year ago levels), 23% see declines, while 20% expect no change. This expectation nearly matches the 58% who predicted third-quarter profit gains three months ago.

The job trend in the metro area continues to show improvement. Employment has grown 71 consecutive months on a year-over-year basis and unemployment rates have reached their lowest levels in the post-recession period. Job gains in the metro area have also strengthened in recent months. After year-over-year growth averaged 0.7% over 2016's first five months, gains have averaged 1.1% in the most recent three month period available (June-July-August).

Survey results suggest a stronger job growth environment going forward. Over one-half (56%) of all businesses surveyed expect fourth-quarter employment levels to exceed those posted one year ago, the strongest quarterly expectation expressed in six quarters (since 2015's second quarter). Conversely only nine percent predict declining job levels. Current levels of optimism mark a notable increase over third-quarter expectations when 44% of employers forecast a year-over-year gain.

By industry, expectations were strongest among non-manufacturers surveyed. Sixty-one percent of non-manufacturers expect job gains in 2016's fourth quarter with only 6% predicting job level declines for their local operations. While job optimism among manufacturers was smaller, those

seeing job gains still exceed those predicting declines by nearly a four-to-one margin (50% see increases vs. 13% expecting declines).

The upward trend in wage and salary levels lost traction in 2016's fourth quarter. After accelerating in each of the previous three quarterly forecasts, expected gains in per person wage and salaries slowed. Currently employers see wages and salaries increasing by an average of 2.6% over the next twelve months, down from the 3% increase forecast in 2016's third quarter.

Expectations for calendar year 2016 have waned a bit since the beginning of the year. With three calendar year quarters under their belts, 70% of all businesses surveyed predict improved real
sales levels for 2016 as a whole. This forecast is down from the 75% who saw 2016 calendar year sales gains at the beginning of 2016. Currently 19% of businesses expect sales declines for the year as a whole, while 11% predict no change.

Businesses have modest expectations for calendar year 2017. Seventy-two percent of metro area businesses see real sales gains in 2017 (vs. 2016) while 5% project declines. The remaining 23% see no change. Expectations for 2017 rank somewhat lower than the initial forecast for 2016 when 74% of respondents forecast sales gains for the forthcoming calendar year (2016).

Expectations toward 2017 show balance by industry and employment size. Seventy-three percent of manufacturers expect gains for the year vs. 71% among non-manufacturers. The split for large vs. small employers was similar – 73% of smaller employers see real sales gains in 2017 vs. 70% for large employers.

The Business Outlook Survey, conducted by the MMAC, contains responses from 118 Milwaukee area firms, both large and small, employing more than 38,500 people.

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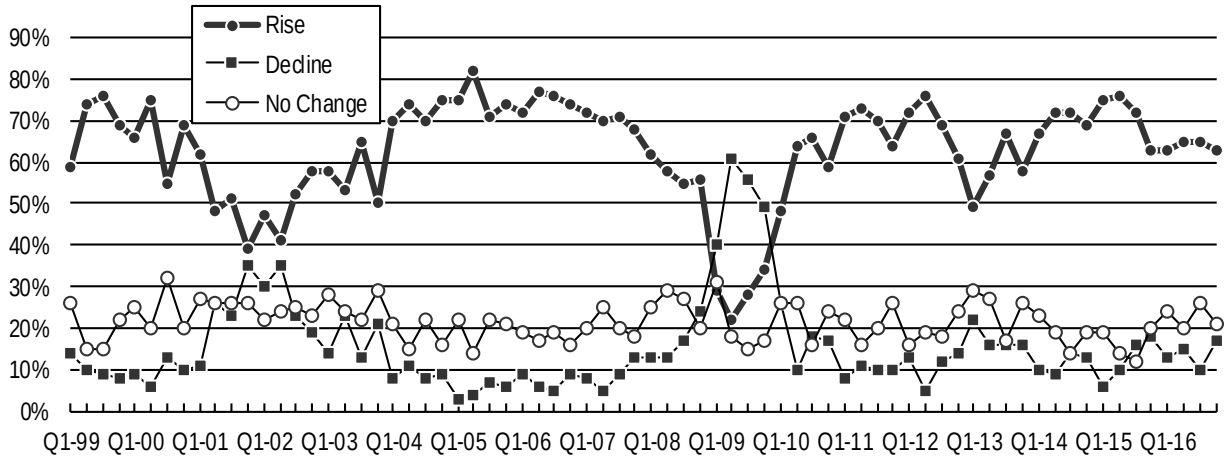
MMAC's Fourth-Quarter 2016 Business Outlook Survey*

	Firms Expecting a:	Employers by Size Large	Small (1)	Employers by Industry Manuf.	Non-Manuf.	TOTAL
2016 Forecast						
Change in the dollar volume of **Sales** (net of inflationary effects) expected by 117 Milwaukee area firms for the entire year of 2016 vs. the entire year of 2015:	RISE :	34 (72%)	48 (69%)	33 (63%)	49 (75%)	82 (70%)
	DECLINE :	8 (17%)	14 (20%)	16 (31%)	6 (9%)	22 (19%)
	NO CHANGE :	5 (11%)	8 (11%)	3 (6%)	10 (15%)	13 (11%)
2016 Fourth Quarter (Compared to Previous Quarter)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 117 Milwaukee area firms for 4th quarter 2016 vs. 3rd quarter 2016:	RISE :	19 (41%)	42 (59%)	29 (57%)	32 (48%)	61 (52%)
	DECLINE :	13 (28%)	11 (15%)	12 (24%)	12 (18%)	24 (21%)
	NO CHANGE :	14 (30%)	18 (25%)	10 (20%)	22 (33%)	32 (27%)
2016 Fourth Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 115 Milwaukee area firms for the 4th quarter 2016 vs. 4th quarter 2015:	RISE :	28 (62%)	44 (63%)	31 (62%)	41 (63%)	72 (63%)
	DECLINE:	7 (16%)	12 (17%)	12 (24%)	7 (11%)	19 (17%)
	NO CHANGE :	10 (22%)	14 (20%)	7 (14%)	17 (26%)	24 (21%)
Change in the dollar volume of **Profits** expected by 115 Milwaukee firms for the 4th quarter 2016 vs. 4th quarter of 2015:	RISE :	30 (65%)	35 (51%)	24 (47%)	41 (64%)	65 (57%)
	DECLINE :	10 (22%)	17 (25%)	17 (33%)	10 (16%)	27 (23%)
	NO CHANGE :	6 (13%)	17 (25%)	10 (20%)	13 (20%)	23 (20%)
Change in the level of Total **Employment** expected by 118 Milwaukee area firms for the 4th quarter 2016 vs. 4th quarter 2015:	RISE :	31 (66%)	35 (49%)	26 (50%)	40 (61%)	66 (56%)
	DECLINE :	3 (6%)	8 (11%)	7 (13%)	4 (6%)	11 (9%)
	NO CHANGE :	13 (28%)	28 (39%)	19 (37%)	22 (33%)	41 (35%)
Wages & Salaries						
Average change in the per person, employee **Wages & Salaries** expected in the next 12 months:	AVERAGE :	2.6%	2.5%	2.3%	2.7%	2.6%
2017 Forecast						
Change in the dollar volume of **Sales** (net of inflationary effects) expected by 118 Milwaukee area firms for the entire year of 2017 vs. the entire year of 2016.	RISE :	33 (70%)	52 (73%)	38 (73%)	47 (71%)	85 (72%)
	DECLINE :	2 (4%)	4 (6%)	2 (4%)	4 (6%)	6 (5%)
	NO CHANGE :	12 (26%)	15 (21%)	12 (23%)	15 (23%)	27 (23%)

* Percentages may not sum to 100 due to rounding.
(1) Employment of less than 100 people.

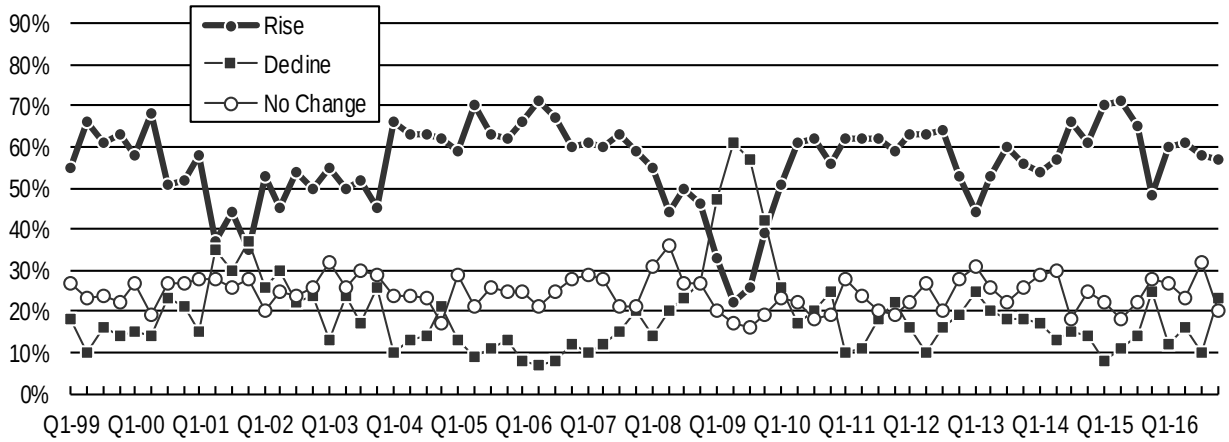
Quarterly Real Sales Expectations - Metro Milwaukee

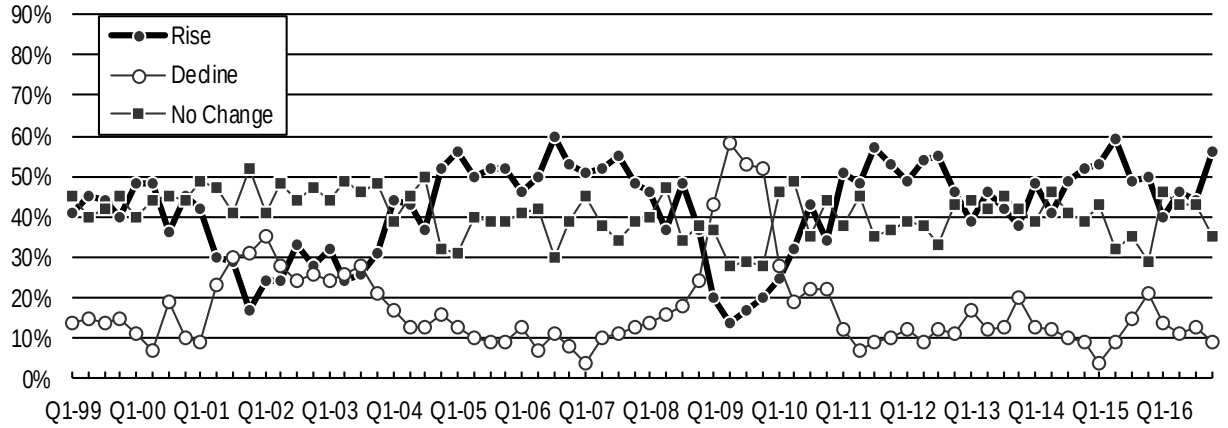
(% of businesses expecting rise, decline or no chg. from same quarter one year ago)



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)