Metro Milwaukee Business Outlook Survey
First-Quarter, 2019

Prepared by:
Economic Research Division
Metropolitan Milwaukee Association of Commerce

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MMAC
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Business activity in metro Milwaukee is expected to continue to grow in 2019, as a healthy majority of businesses surveyed see gains in sales, profits and jobs for the year, according to a quarterly business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). Seventy-two percent of businesses surveyed see sales increases in 2019, 65% forecast profit gains and 63% expect job growth in the calendar year.

"Business optimism in the metro Milwaukee area has trended modestly downward in recent quarters, but the overall levels of optimism expressed remain at historically healthy levels," said Bret Mayborne, the MMAC's economic research director. "The results of the survey suggest continuing economic growth in the metro area but at moderate levels, with a particularly strong manufacturing outlook."

Sales optimism among area businesses opens 2019 at a lower level than that expressed at this time last year, but remain positive. Seventy-two percent of businesses surveyed forecast higher real sales levels in 2019 vs. the 80% who predicted annual gains at the beginning of 2018. Currently 10% of those surveyed predict 2019 sales declines while 18% see no change.

Current expectations dove-tail closely with what has been seen throughout local economic growth posted in the recovery period. Over the length of this recovery and its 39 quarterly surveys, the percentage of area businesses surveyed for a given year that see annual real sales gains has averaged 69%, in line with current results.

Manufacturers are more likely to see 2019 sales gains than non-manufacturers. Ninety-three percent of manufacturers see sales increases for the year, while 0% see decreased sales levels. Conversely, 64% of non-manufacturers predict sales gains while 14% expect declines. By firm size, 85% of large employers (100 or more employees) see 2019 sales gains vs. 63% among small employers.

The profit forecast by metro area businesses was likewise tempered from earlier quarters. Sixty-five percent of all employers surveyed see profit level increases in 2019. Fourteen percent see profit declines for the year and 21% expect no change. Those expecting profit growth in 2019 fell below the 75% who forecast 2018 profit gains one year ago.

Regarding capital spending plans, 42% of companies surveyed forecast a rise in capital expenditures for the year. Thirteen percent see capital spending declines and 45% expect no change. The percentage currently predicting increases is down modestly from the 53% who opened 2018 expecting capital spending gains.

Modest job increases were the order of the day in 2018 for the metro area with year-over-year increases posted in each of the year's first eleven months that averaged 0.9%. Survey results suggest continuing employment growth for 2019. Businesses expecting job gains in their local workforces outnumber those predicting declines by a large margin (63% see increases vs. only 6% expecting declines). Thirty-one percent see no change. Job optimism ranks near that expressed at 2018's beginning when 69% of all surveyed saw employment gains for the year.

The manufacturing sector posted a strong 2018 with an average year-over-year job gain of 2.9% over the year's first 11 months. Gains in service-providing jobs were more modest, up 0.5% on average through the same period. Survey results suggest continuing strength in manufacturing in 2019. Among manufactures, nearly three-quarters of those surveyed (74%) see 2019 job gains, while only 4% expect declines and 22% see no change. For non-manufacturers, 59% project job gains in 2019, 7% see declines, while the remainder see no change (34%).

Historically low unemployment rates in the metro area have failed to put pressure on future wage and salary increases. The average, per person change in employee wages and salaries is forecast to rise 2.9% over the next 12 months, down from the 3.4% annualized increase predicted three months ago and also down from the rise expected at the beginning of 2018 (3.3%).

Survey results suggest that inflationary pressures in the metro area will largely be held in check for 2019. Twenty-five percent of companies surveyed see inflation falling in the 0% to 2% range while the largest percentage (71%) expects price increases of 3% to 5%. Only 4% predict price gains of 6% or higher.

First Quarter, 2019 Expectations

The quarterly sales outlook has trended downward in recent quarters. For 2019's first quarter, 62% of those surveyed expect first-quarter sales gains (vs. 2018's first quarter), 13% see sales declines, and 24% expect no change. The current percentage predicting a quarterly sales increase is down from the 74% who forecast third-quarter, 2018 sales gains and the 73% who predicted fourth-quarter increases (vs. year-ago levels).

Tempered profit expectations were also expressed. Fifty-eight percent of Milwaukee area businesses see higher profits for the quarter (vs. year-ago levels), down from the 64% who forecast fourth-quarter, 2018 profit gains. Currently 14% predict profit declines while 28% see no change.

Forty-one percent of all businesses surveyed predict first-quarter, 2019 job gains for their local operations (vs. 2018's first quarter), over four times the percentage forecasting employment declines (9%). The largest percentage (50%) sees no change. Current levels of optimism are down from the 57% and 50% of companies which forecast year-over-year gains in 2018's third and fourth quarters respectively.

Manufacturers expressed the greatest likelihood of expanding job levels. Fifty-four percent of manufacturers surveyed expect higher employment totals in 2019's first quarter (vs. one-year ago), higher than the 36% of non-manufacturers who expect such gains.

The Business Outlook Survey, conducted by the MMAC, contains responses from 99 Milwaukee area firms, both large and small, employing more than 26,900 people.

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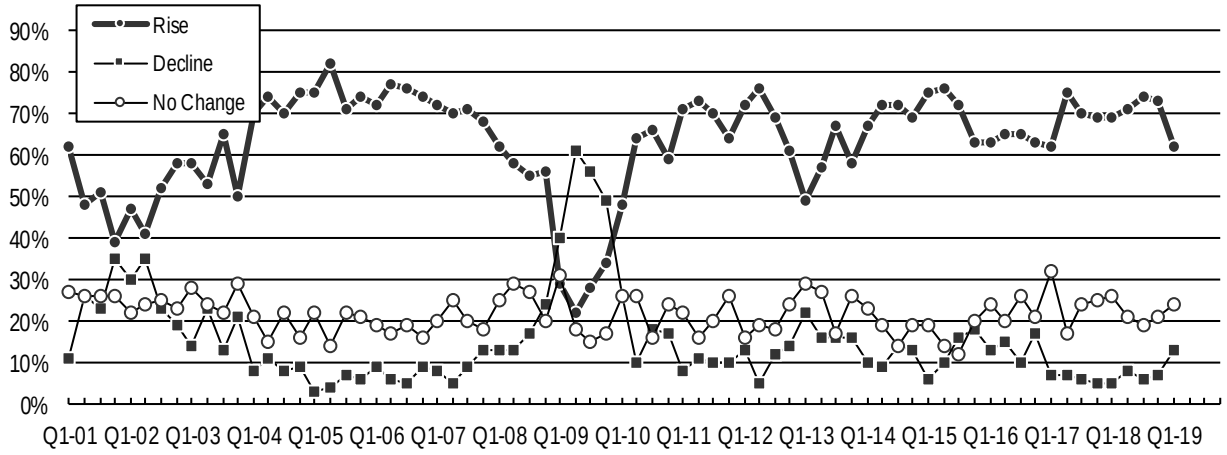
MMAC's First-Quarter 2019 Business Outlook Survey*

	Firms Expecting a:	Employers by Size Large	Small (1)	Employers by Industry Manuf.	Non-Manuf.	TOTAL
2019 Forecast						
Change in the dollar volume of **Sales** (net of inflationary effects) expected by 97 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018	RISE :	34 (85%)	36 (63%)	25 (93%)	45 (64%)	70 (72%)
	DECLINE :	2 (5%)	8 (14%)	0 (0%)	10 (14%)	10 (10%)
	NO CHANGE :	4 (10%)	13 (23%)	2 (7%)	15 (21%)	17 (18%)
Change in dollar volume of **Profits** expected by 97 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018:	RISE :	30 (75%)	33 (58%)	23 (85%)	40 (57%)	63 (65%)
	DECLINE :	6 (15%)	8 (14%)	1 (4%)	13 (19%)	14 (14%)
	NO CHANGE :	4 (10%)	16 (28%)	3 (11%)	17 (24%)	20 (21%)
Change in the dollar volume of **Capital Expenditures** expected by 98 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018:	RISE :	20 (50%)	21 (36%)	19 (70%)	22 (31%)	41 (42%)
	DECLINE :	3 (8%)	10 (17%)	2 (7%)	11 (15%)	13 (13%)
	NO CHANGE :	17 (43%)	27 (47%)	6 (22%)	38 (54%)	44 (45%)
Rate of **Inflation** expected to affect 96 Milwaukee area operations for the entire year of 2019:	0-2% INFLATION :	8 (21%)	16 (28%)	1 (4%)	23 (32%)	24 (25%)
	3-5% INFLATION :	30 (77%)	38 (67%)	22 (88%)	46 (65%)	68 (71%)
	6-9% INFLATION :	1 (3%)	2 (4%)	1 (4%)	2 (3%)	3 (3%)
	10% or more :	0 (0%)	1 (2%)	1 (4%)	0 (0%)	1 (1%)
Change in the level of **Total Employment** expected by 98 Milwaukee area firms for the entire year of 2019 vs. 2018:	RISE :	27 (68%)	35 (60%)	20 (74%)	42 (59%)	62 (63%)
	DECLINE :	2 (5%)	4 (7%)	1 (4%)	5 (7%)	6 (6%)
	NO CHANGE :	11 (28%)	19 (33%)	6 (22%)	24 (34%)	30 (31%)
2019 First Quarter (Compared to Previous Quarter)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 97 Milwaukee area firms for 1st quarter 2019 vs. 4th quarter 2018:	RISE :	26 (65%)	30 (53%)	20 (74%)	36 (51%)	56 (58%)
	DECLINE :	4 (10%)	12 (21%)	1 (4%)	15 (21%)	16 (16%)
	NO CHANGE :	10 (25%)	15 (26%)	6 (22%)	19 (27%)	25 (26%)
2019 First Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 98 Milwaukee area firms for the 1st quarter 2019 vs. 1st quarter 2018:	RISE :	30 (73%)	31 (54%)	24 (89%)	37 (52%)	61 (62%)
	DECLINE:	2 (5%)	11 (19%)	0 (0%)	13 (18%)	13 (13%)
	NO CHANGE :	9 (22%)	15 (26%)	3 (11%)	21 (30%)	24 (24%)
Change in the dollar volume of **Profits** expected by 96 Milwaukee firms for the 1st quarter 2019 vs. 1st quarter of 2018:	RISE :	28 (68%)	28 (51%)	23 (85%)	33 (48%)	56 (58%)
	DECLINE :	5 (12%)	8 (15%)	0 (0%)	13 (19%)	13 (14%)
	NO CHANGE :	8 (20%)	19 (35%)	4 (15%)	23 (33%)	27 (28%)
Change in the level of **Total Employment** expected by 96 Milwaukee area firms for the 1st quarter 2019 vs. 1st quarter 2018:	RISE :	20 (50%)	19 (34%)	14 (54%)	25 (36%)	39 (41%)
	DECLINE :	3 (8%)	6 (11%)	0 (0%)	9 (13%)	9 (9%)
	NO CHANGE :	17 (43%)	31 (55%)	12 (46%)	36 (51%)	48 (50%)
Average change in the per person, employee **Wages & Salaries** expected in the next 12 months:	AVERAGE :	2.8%	3.0%	3.2%	2.8%	2.9%

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

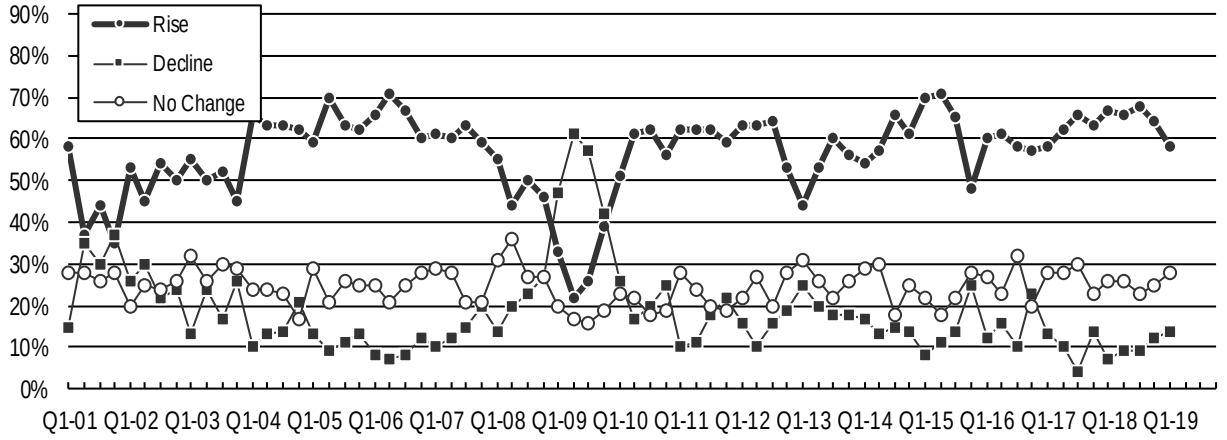
Quarterly Real Sales Expectations - Metro Milwaukee

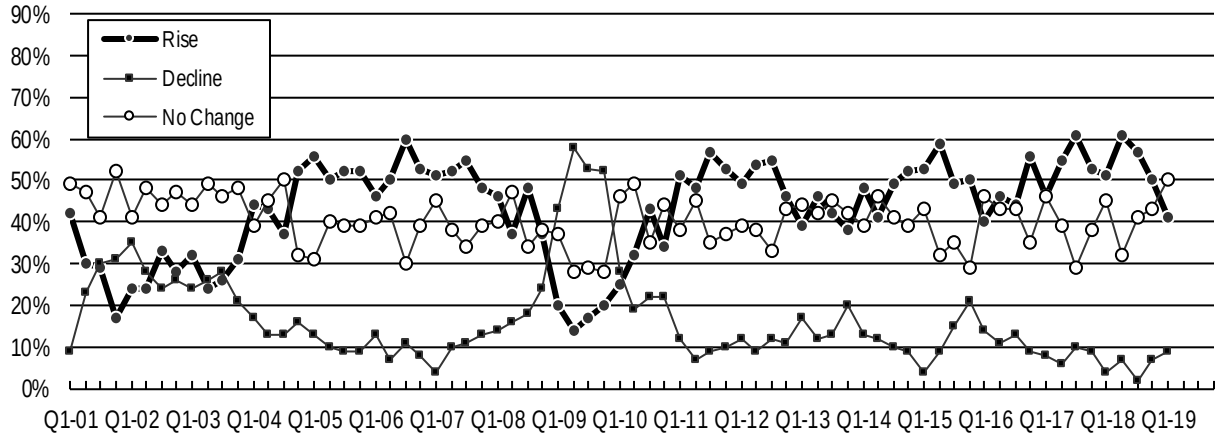
(% of businesses expecting rise, decline or no chg. from same quarter one year ago)



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)