
Metro Milwaukee Business Outlook Survey First-Quarter 2023

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Metro Milwaukee Business Outlook Survey, First-Quarter, 2023

A slow start is forecast for 2023's first quarter according to survey results from a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC), but continuing growth is expected for calendar year 2023 as a whole. Seventy percent of businesses surveyed see real sales increases in 2023, 63% forecast profit gains and 53% expect job growth in the calendar year.

“Expectations in this survey are a bit of a mixed bag. In the short run expectations for the first quarter are notably down from previous quarters, suggesting an early economic slowdown,” said Bret Mayborne, the MMAC’s economic research vice president. “On the other hand, expectations for 2023 as a whole remain at healthy levels indicating long-term growth for the full year.”

Sales optimism among area businesses opens 2023 at a healthy but lower level than that expressed at this time last year. Seventy percent of businesses surveyed forecast higher real sales levels in 2023 vs. the 80% who predicted annual gains at the beginning of 2022. Currently 14% of those surveyed predict 2023 sales declines while 16% see no change.

Manufacturers and non-manufacturers are equally likely to see 2023 sales gains. Seventy percent of non-manufacturers see sales increases for the year as a whole, while 14% see decreased sales levels. Likewise, 70% of manufacturers predict 2023 sales gains while 13% expect declines. By firm size 73% of small employers (less than 100 employees) see 2023 sales gains vs. 67% among large employers.

The profit forecast by metro area businesses was also tempered from earlier surveys. Sixty-three percent of all employers surveyed see profit level increases in 2023. Fifteen percent see profit declines for the year and 22% expect no change. Those expecting profit growth in 2023 fell somewhat lower than the 69% who forecast 2022 profit gains one year ago.

Regarding capital spending plans, 37% of companies surveyed forecast a rise in capital expenditures for the year. Eighteen percent see capital spending declines and 45% expect no change. The percentage currently predicting increases is down from the 48% who opened 2022 expecting capital spending gains.

Metro area job growth in 2022 largely matched that registered in 2021. Nonfarm jobs grew at a 1.4% pace for 2022, up marginally from 2021’s 1.3% increase. Those surveyed expect job gains in their local workforces to continue in 2023 with businesses seeing job increases outnumbering those predicting declines by a wide margin – 53% see increases vs. 6% expecting declines. Forty-two percent see no change. With this said, optimism for the year is down from levels expressed at the beginning of 2022 when 66% of all surveyed saw employment gains for 2022.

The manufacturing sector posted a strong 2022 with estimated annual job growth of 1.7%. On the other hand, service sector employment rose at a somewhat slower pace, up 1.2% over this period. Survey results suggest a strengthening job picture for non-manufactures in 2023. Among non-manufactures, over half (58%) see 2023 job gains, while only 2% expect declines and 40% see no change. For manufacturers those seeing 2023 job gains (41%) rank higher than those expecting declines (14%) while the largest number expect no change (45%).

Expected wage & salary increases have slowed in each of the last three quarterly surveys but are expected to remain above pre-COVID averages. Presently the average change in per person employee wages and salaries is forecast to rise 4.1% over the next 12 months, down from the 4.8% annualized increase predicted three months ago.

Consumer price inflation nationally averaged 8% in 2022 up from the 4.7% rate posted in 2021. While the peak inflation rates of 2022 are largely past, inflation for 2023 is likely to remain above long-term averages. Most metro area businesses surveyed (53%) see annual inflation landing in the 3% to 5% range but over one third (34%) see inflation of 6% or higher. Both percentages closely match those expressed at 2022's beginning.

First Quarter, 2023 Expectations

A significant drop-off has been registered in the quarterly sales outlook over recent quarters. The percentage of businesses predicting quarterly real sales gains has fallen in each of the past six surveys. For 2023's first quarter 59% of those surveyed expect first-quarter real sales gains (vs. 2022's first quarter), 18% see sales declines, and 23% expect no change. The current percentage predicting a quarterly sales increase is down from the 75% who forecast first-quarter, 2022 sales gains and the 65% who predicted fourth-quarter increases (vs. year-ago levels).

Diminished profit expectations were also expressed. Fifty-two percent of Milwaukee area businesses see higher profits for the quarter (vs. year-ago levels), down marginally from the 55% who forecast fourth-quarter, 2022 profit gains. Currently 22% predict profit declines while 26% see no change.

Despite lackluster sales and profit forecasts for 2023's first quarter, employment expectations remain at a high level. Fifty-one percent of all businesses surveyed predict first-quarter 2023 job gains for their local operations (vs. 2022's first quarter), up from the 43% who forecast year-over-year gains in 2022's fourth quarter. Companies surveyed are over four times as likely to forecast employment gains for 2023's first quarter as declines (11%) with 38% seeing no change.

Non-manufacturers expressed the greatest likelihood of expanding job levels. Fifty-four percent of non-manufacturers surveyed expect higher employment totals in 2023's first quarter (vs. one-year ago), higher than the 43% of manufacturers who expect such gains.

2023 Business Concerns

Businesses were asked to rank business concerns in 2023. Among the concerns listed, continuing economic growth & recovery ranked as the most concerning. This was followed by labor shortages, price inflation, and supply chain issues. Concerns across industry and business size were fairly consistent.

The Business Outlook Survey, conducted by the MMAC, contains responses from 73 Milwaukee area firms, both large and small, employing more than 17,000 people.

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MMAC's First-Quarter 2023 Business Outlook Survey*

| Firms expecting a: | By Size | | By Industry | | TOTAL | |
|--|------------------|-----------|-------------|----------|-------|------|
| | Large | Small (1) | Mfg. | Non-mfg. | | |
| 2023 Forecast | | | | | | |
| Change in the dollar volume of Sales (net of inflationary effects) expected by 73 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022: | RISE : | 67% | 73% | 70% | 70% | 70% |
| | DECLINE : | 17% | 11% | 13% | 14% | 14% |
| | NO CHANGE : | 17% | 16% | 17% | 16% | 16% |
| Change in dollar volume of Profits expected by 73 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022: | RISE : | 58% | 68% | 61% | 64% | 63% |
| | DECLINE : | 22% | 8% | 13% | 16% | 15% |
| | NO CHANGE : | 19% | 24% | 26% | 20% | 22% |
| Change in the dollar volume of Capital Expenditures expected by 73 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022: | RISE : | 39% | 35% | 35% | 38% | 37% |
| | DECLINE : | 17% | 19% | 26% | 14% | 18% |
| | NO CHANGE : | 44% | 46% | 39% | 48% | 45% |
| Rate of Inflation expected to affect 73 Milwaukee area operations for the entire year of 2023: | DEFLATION | 0% | 3% | 0% | 2% | 1% |
| | 0-2% INFLATION : | 8% | 14% | 4% | 14% | 11% |
| | 3-5% INFLATION : | 56% | 51% | 65% | 48% | 53% |
| | 6-9% INFLATION : | 28% | 24% | 26% | 26% | 26% |
| | 10% or more : | 8% | 8% | 4% | 10% | 8% |
| Change in the level of Total Employment expected by 73 Milwaukee area firms for the entire year of 2023 vs. 2022: | RISE : | 49% | 57% | 41% | 58% | 53% |
| | DECLINE : | 11% | 0% | 14% | 2% | 6% |
| | NO CHANGE : | 40% | 43% | 45% | 40% | 42% |
| 2023 First Quarter (Compared to Previous Quarter) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 73 Milwaukee area firms for 1st quarter 2023 vs. 4th quarter 2022: | RISE : | 58% | 54% | 52% | 58% | 56% |
| | DECLINE : | 22% | 22% | 22% | 22% | 22% |
| | NO CHANGE : | 19% | 24% | 26% | 20% | 22% |
| 2023 First Quarter (Compared to Same Quarter One Year Ago) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 73 Milwaukee area firms for the 1st quarter 2023 vs. 1st quarter 2022: | RISE : | 61% | 57% | 35% | 70% | 59% |
| | DECLINE: | 19% | 16% | 35% | 10% | 18% |
| | NO CHANGE : | 19% | 27% | 30% | 20% | 23% |
| Change in the dollar volume of Profits expected by 73 Milwaukee firms for the 1st quarter 2023 vs. 1st quarter of 2022: | RISE : | 53% | 51% | 43% | 56% | 52% |
| | DECLINE : | 25% | 19% | 30% | 18% | 22% |
| | NO CHANGE : | 22% | 30% | 26% | 26% | 26% |
| Change in the level of Total Employment expected by 73 Milwaukee area firms for the 1st quarter 2023 vs. 1st quarter 2022: | RISE : | 53% | 49% | 43% | 54% | 51% |
| | DECLINE : | 14% | 8% | 17% | 8% | 11% |
| | NO CHANGE : | 33% | 43% | 39% | 38% | 38% |
| Average change in the per person, employee Wages & Salaries expected in the next 12 months: | AVERAGE: | 4.0% | 4.3% | 3.9% | 4.2% | 4.1% |

MMAC's First-Quarter 2023 Business Outlook Survey*

| Firms expecting a: | | By Size | | By Industry | | TOTAL |
|--|---------------------------------------|---------|-----------|-------------|----------|-------|
| | | Large | Small (1) | Mfg. | Non-mfg. | |
| Business Concerns going into 2023 | | | | | | |
| Average ranking of concern level ranked 1 to 6. 1 being ranked most concerning, 6 being lowest ranked concern. | Price inflation | 2.42 | 2.69 | 2.43 | 2.60 | 2.55 |
| | Continuing economic growth & recovery | 1.92 | 2.33 | 1.91 | 2.22 | 2.13 |
| | Supply chain issues | 3.69 | 3.58 | 2.96 | 3.96 | 3.64 |
| | Labor shortages | 2.42 | 2.61 | 2.57 | 2.49 | 2.51 |
| | Crime | 4.83 | 4.82 | 5.26 | 4.62 | 4.83 |
| | Remote work plans | 4.69 | 5.00 | 5.17 | 4.68 | 4.84 |

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