
Metro Milwaukee Business Outlook Survey Second-Quarter 2023

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Metro Milwaukee Business Outlook Survey, Second-Quarter, 2023

Milwaukee-area businesses have lukewarm expectations for future economic growth, according to a Business Outlook Survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). Sixty percent of businesses surveyed see sales increases in 2023's second quarter, 49% see profit gains and 50% expect job gains compared to levels from one year ago.

“The level of optimism expressed by metro area businesses on quarterly sales and profit growth are on the low end of the historical range for expected future growth while employment optimism was a bit more robust,” said Bret Mayborne, MMAC’s economic research director. “These results suggest slower local economic growth in the near-term and a possible recession in the year’s second half.”

The trend in sales optimism is mixed. Currently 60% of all businesses surveyed predict real sales gains in 2023's second quarter (vs. year-ago levels), 19% see sales declines and 21% expect no change. While the percentage predicting second-quarter sales growth is up marginally from the 59% who forecast first-quarter gains, it has largely trended downward since 2021's third quarter (on a year-over-year basis) and is at the low end of optimism expressed for growth periods.

Sales expectations were similar by industry and employment size. Sixty-three percent of manufacturers see second-quarter sales growth while 60% of non-manufacturers see such gains. By employment size, 61% of large employers surveyed (100 or more employees) forecast second-quarter sales gains versus 60% for small employers.

Less than half of all businesses surveyed (49%) see higher profits in 2023's second quarter (vs. year-ago levels), down from the 52% who forecast first-quarter profit gains. Year-over-year profit expectations have declined in six of the last seven quarterly surveys. Currently 22% predict profit declines while 29% see no change.

Job growth in 2023 is off to a slow start. Employment growth in 2023's first quarter averaged 0.2% year-over-year, down from the 1.4% growth registered in 2022's fourth quarter. Nonetheless, while sales and profit expectations are tepid by historical standards, area businesses remain generally optimistic about continued job growth. Fifty percent of businesses surveyed expect second-quarter year-over-year employment gains, over three times higher than the 14% who predict job declines. Second-quarter expectations nearly match the 51% of businesses who forecast first-quarter gains.

Fifty-four percent of manufacturers predict second-quarter job gains (vs. year-ago levels), higher than the 48% of non-manufacturers who see growth. By employment size, large employers – with 52% seeing second-quarter 2023 gains – are somewhat more likely to predict employment growth than small employers, where 49% see gains.

Future wage and salary expectations fell for the fourth consecutive quarter. On average, the change in per-person employee wages and salaries for all businesses is forecast to rise 3.9% over the next 12 months, below the 4.1% annualized increase predicted three months ago.

Expectations on annual real sales increases were notably lower than that expressed three months ago. Currently 61% of businesses surveyed see 2023 calendar year increases, 18% expect declines while 21% see no change. The current percentage predicting sales gains is down from the 70% who forecast a 2023 sales increase at the beginning of the year.

Businesses also ranked their top concerns as the year moves forward. The rankings have largely held to earlier quarters with continuing economic growth, labor shortages and price inflation ranking as the top three, in that order. The rankings were largely the same by industry and employment size.

The Business Outlook Survey, conducted by the MMAC, contains responses from 82 Milwaukee area firms, both large and small, employing more than 15,000 people.

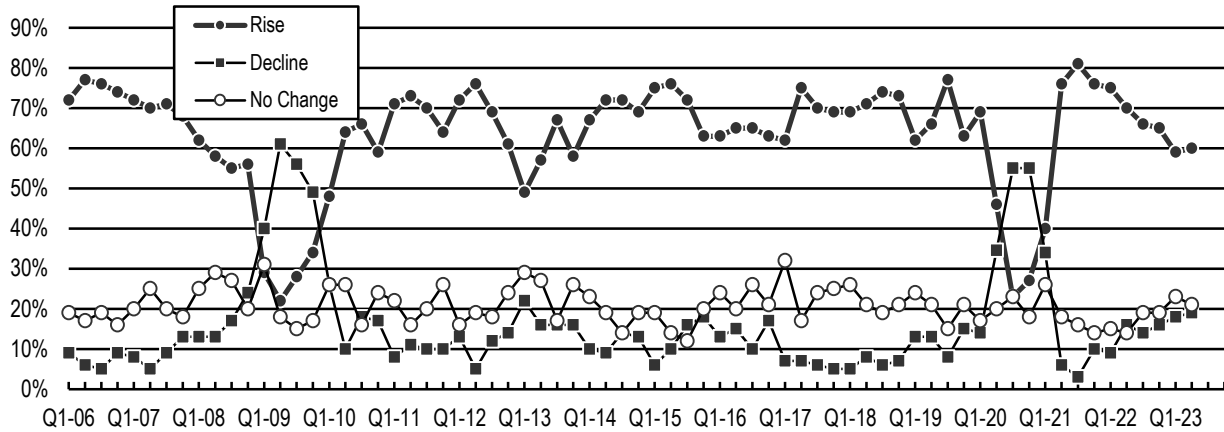
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MMAC's Second-Quarter 2023 Business Outlook Survey*

| 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 82 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022: | RISE : | 68% | 56% | 67% | 59% | 61% |
| | DECLINE : | 24% | 15% | 21% | 17% | 18% |
| | NO CHANGE : | 9% | 29% | 13% | 24% | 21% |
| 2023 Second Quarter (Compared to Previous Quarter) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 82 Milwaukee area firms for 2nd quarter 2023 vs. 1st quarter 2023: | RISE : | N.A. | N.A. | N.A. | N.A. | N.A. |
| | DECLINE : | N.A. | N.A. | N.A. | N.A. | N.A. |
| | NO CHANGE : | N.A. | N.A. | N.A. | N.A. | N.A. |
| 2023 Second Quarter (Compared to Same Quarter One Year Ago) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 81 Milwaukee area firms for the 2nd quarter 2023 vs. 2nd quarter 2022: | RISE : | 61% | 60% | 63% | 60% | 60% |
| | DECLINE: | 21% | 17% | 25% | 16% | 19% |
| | NO CHANGE : | 18% | 23% | 13% | 25% | 21% |
| Change in the dollar volume of Profits expected by 79 Milwaukee firms for the 2nd quarter 2023 vs. 2nd quarter of 2022: | RISE : | 45% | 52% | 54% | 47% | 49% |
| | DECLINE : | 21% | 22% | 25% | 20% | 22% |
| | NO CHANGE : | 33% | 26% | 21% | 33% | 29% |
| Change in the level of Total Employment expected by 80 Milwaukee area firms for the 2nd quarter 2023 vs. 2nd quarter 2022: | RISE : | 52% | 49% | 54% | 48% | 50% |
| | DECLINE : | 18% | 11% | 17% | 13% | 14% |
| | NO CHANGE : | 30% | 40% | 29% | 39% | 36% |
| Average change in the per person, employee Wages & Salaries expected in the next 12 months: | AVERAGE: | 4.3% | 3.7% | 3.9% | 3.9% | 3.9% |
| Business Concerns going into 2023's Second Quarter | | | | | | |
| Average ranking of concern level ranked 1 to 5. 1 being lowest ranked concern, 5 being highest ranked concern. | Price inflation | 3.44 | 3.46 | 3.54 | 3.41 | 3.45 |
| | Continuing economic growth & recovery | 3.68 | 3.75 | 3.88 | 3.66 | 3.72 |
| | Supply chain issues | 2.88 | 2.74 | 2.82 | 2.79 | 2.80 |
| | Labor shortages | 3.79 | 3.48 | 3.63 | 3.60 | 3.61 |
| | Crime | 2.84 | 3.26 | 2.71 | 3.22 | 3.09 |
| | Office reopening plans | 2.42 | 2.20 | 2.24 | 2.31 | 2.29 |

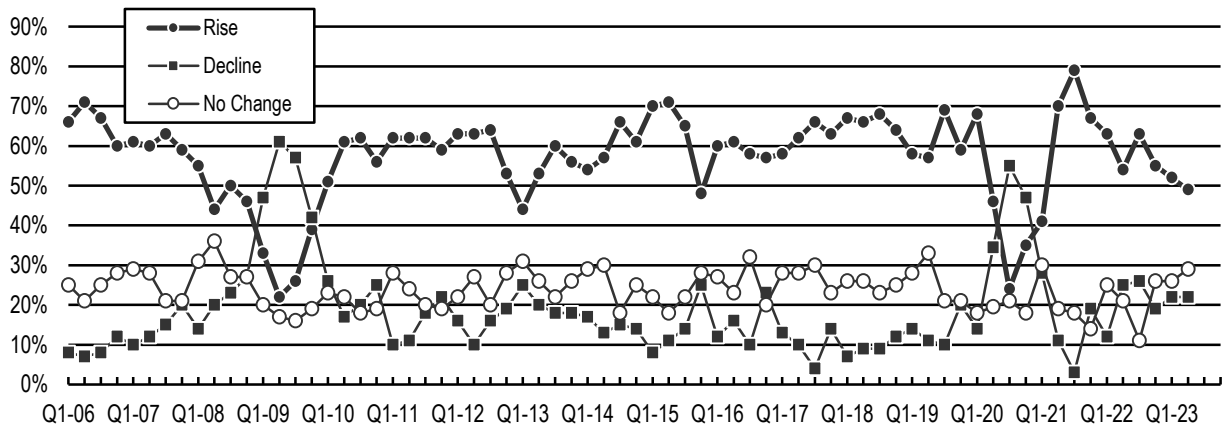
Quarterly Real Sales Expectations - Metro Milwaukee

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



Quarterly 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)

