
Metro Milwaukee Business Outlook Survey

Third Quarter, 2019

Prepared by:
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Milwaukee-area businesses see continuing economic growth in 2019's third quarter, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). The outlook of surveyed businesses toward third-quarter sales, profits and employment levels all registered healthy levels and improved from second-quarter expectations.

“The current national economic expansion reached a record length in July at 121 months,” said Bret Mayborne, the MMAC’s economic research director. “Business optimism in the Milwaukee area suggests that this record is highly likely to lengthen in future months. Three metrics of local business growth – sales, profits and employment – are all expected to register real gains in 2019’s third quarter and beyond.”

Sales expectations improved in 2019’s third quarter, rising from levels posted in the year’s first two quarters. Seventy-seven percent of businesses surveyed forecast higher real sales levels in the third quarter (vs. year-ago levels), up from the 62% and 66% who predicted sales gains for 2019’s first and second quarters respectively. Currently only 8% of businesses see third-quarter sales declines, while 15% expect no change.

Likewise, profit optimism trended upward, reaching its highest level in over four years (since 2015’s second quarter). Sixty-nine percent of surveyed companies expect third-quarter profit increases vs. year-ago levels compared to the 57% who forecast profit gains in the year’s second-quarter. Currently 10% see third-quarter profit decreases (vs. 2018’s third quarter), while 21% see no change.

The job situation in the metro area has been marked by low unemployment rates and modest overall job gains. Metro Milwaukee’s unemployment rate is at historic lows with May’s 2.9% rate ranking as the lowest May rate on record (1990 to present). Nonfarm job growth locally has been modest in recent months (averaging 0.6% to date in 2019) but nearly continuous since 2010 and is likely to hit a record high in the near term as it approaches the previous high registered in June 2000.

A majority of surveyed businesses see gains in future employment levels. Fifty-seven percent project third-quarter job increases in their local operations. Those projecting third-quarter job increases outnumber those forecasting declines by a healthy margin (57% vs. 6% respectively), while 37% see no change in future job levels. Current survey results on employment improved from second-quarter levels when 47% indicated potential year-over-year job gains.

Balanced growth was suggested between the manufacturing and non-manufacturing sectors on 2019 job prospects. Fifty-eight percent of manufacturers surveyed see third-quarter job gains while 56% of non-manufacturers see such gains. By size, large employers (100 or more employees) are a bit more optimistic than small employers on future job expectations, with 60% and 53% seeing third-quarter increases respectively.

Predicted wage and salary trends suggest that the current low unemployment environment in the metro area may be driving wage increases upward. Per employee wages and salaries are

expected to increase an average of 3.5% over the next twelve months, up from the 3.1% increase forecast three months ago and the 2.9% rate forecast at the beginning of 2019.

Calendar Year 2019 Expectations

Sales expectations for 2019 as a whole closely align with third-quarter forecasts. Over three-quarters (77%) of businesses surveyed see calendar year real sales gains in 2019 (vs. 2018). This percentage is up modestly from the 72% who started the year with such expectations and outnumber the percentage currently expecting sales declines (6%) by a wide margin. Seventeen percent see no change in 2019 sales levels.

Profit expectations have also improved from the year's start. Seventy-one percent of businesses predict profit increases in 2019, up from the 65% who opened 2019 with such expectations. Currently, only 9% see profit declines for the year, while the remaining 20% predict no change.

Regarding jobs, employers seeing 2019 job gains outnumber those expecting declines by over a 12-to-1 margin. Sixty-two percent of those surveyed see employment increases in their local operations for 2019 as a whole, while only 5% forecast an annual job decline. The remaining 34% see no change in 2019 job levels (over 2018). In 2019's first quarter, a similar 63% of businesses surveyed projected job growth for the full year.

Capital spending plans remain largely unchanged. Companies seeing capital spending increases (44%) in 2019 outnumber those predicting declines (17%), but a significant percentage (39%) see no change. The current expectation for 2019 closely tracks the 42% who forecast such gains at the beginning of 2019.

Nationally, consumer price inflation has averaged 1.8% over 2019's first five months. Inflation expectations remain modest. Currently most businesses surveyed see inflation falling in the 3% to 5% range (57%), while 38% see price inflation of 2% or less. Only 5% see inflation of 6% or higher.

The Business Outlook Survey, conducted by the MMAC, contains responses from 87 Milwaukee area firms, both large and small, employing more than 40,900 people.

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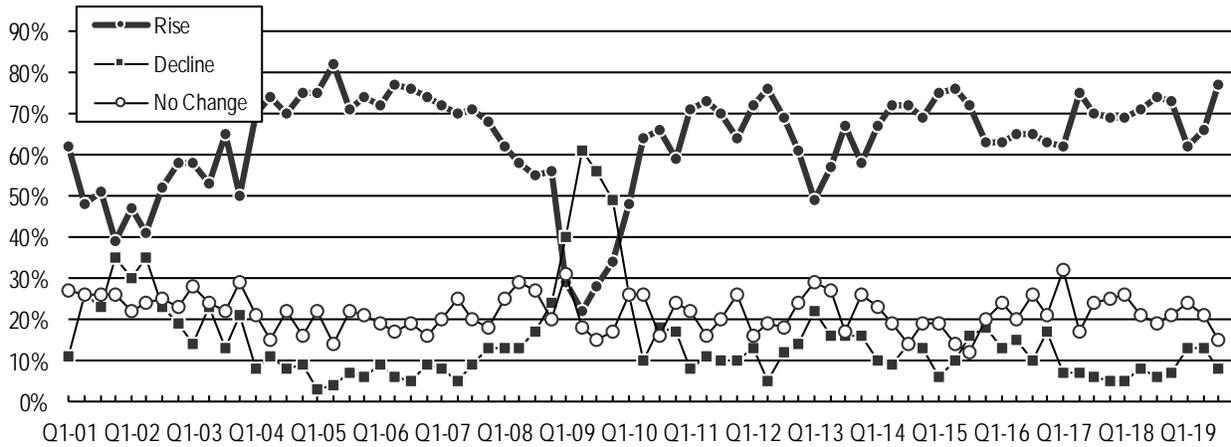
MMAC's Third-Quarter 2019 Business Outlook Survey*

	Firms Expecting a:	Employers by Size		Employers by Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Manuf.	
2019 Forecast						
Change in the dollar volume of Sales (net of inflationary effects) expected by 87 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018:						
	RISE :	33 (77%)	34 (77%)	30 (79%)	37 (76%)	67 (77%)
	DECLINE :	2 (5%)	3 (7%)	1 (3%)	4 (8%)	5 (6%)
	NO CHANGE :	8 (19%)	7 (16%)	7 (18%)	8 (16%)	15 (17%)
Change in dollar volume of Profits expected by 87 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018:						
	RISE :	31 (72%)	31 (70%)	28 (74%)	34 (69%)	62 (71%)
	DECLINE :	4 (9%)	4 (9%)	2 (5%)	6 (12%)	8 (9%)
	NO CHANGE :	8 (19%)	9 (20%)	8 (21%)	9 (18%)	17 (20%)
Change in the dollar volume of Capital Expenditures expected by 87 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018:						
	RISE :	16 (37%)	22 (50%)	17 (45%)	21 (43%)	38 (44%)
	DECLINE :	10 (23%)	5 (11%)	8 (21%)	7 (14%)	15 (17%)
	NO CHANGE :	17 (40%)	17 (39%)	13 (34%)	21 (43%)	34 (39%)
Rate of Inflation expected to affect 87 Milwaukee area operations for the entire year of 2019:						
	0-2% INFLATION :	13 (30%)	20 (45%)	11 (29%)	22 (45%)	33 (38%)
	3-5% INFLATION :	26 (60%)	24 (55%)	23 (61%)	27 (55%)	50 (57%)
	6-9% INFLATION :	4 (9%)	0 (0%)	4 (11%)	0 (0%)	4 (5%)
	10% or more :	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Change in the level of Total Employment expected by 86 Milwaukee area firms for the entire year of 2019 vs. 2018:						
	RISE :	23 (55%)	30 (68%)	23 (62%)	30 (61%)	53 (62%)
	DECLINE :	1 (2%)	3 (7%)	2 (5%)	2 (4%)	4 (5%)
	NO CHANGE :	18 (43%)	11 (25%)	12 (32%)	17 (35%)	29 (34%)
2019 Third Quarter (Compared to Previous Quarter)						
Change in dollar volume of Sales (net of inflationary effects) expected by 86 Milwaukee area firms for 3rd quarter 2019 vs. 2nd quarter 2019:						
	RISE :	28 (65%)	26 (60%)	25 (66%)	29 (60%)	54 (63%)
	DECLINE :	4 (9%)	6 (14%)	4 (11%)	6 (13%)	10 (12%)
	NO CHANGE :	11 (26%)	11 (26%)	9 (24%)	13 (27%)	22 (26%)
2019 Third Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of Sales (net of inflationary effects) expected by 87 Milwaukee area firms for the 3rd quarter 2019 vs. 3rd quarter 2018:						
	RISE :	36 (84%)	31 (70%)	29 (76%)	38 (78%)	67 (77%)
	DECLINE:	2 (5%)	5 (11%)	3 (8%)	4 (8%)	7 (8%)
	NO CHANGE :	5 (12%)	8 (18%)	6 (16%)	7 (14%)	13 (15%)
Change in the dollar volume of Profits expected by 86 Milwaukee firms for the 3rd quarter 2019 vs. 3rd quarter of 2018:						
	RISE :	31 (72%)	28 (65%)	29 (76%)	30 (63%)	59 (69%)
	DECLINE :	4 (9%)	5 (12%)	3 (8%)	6 (13%)	9 (10%)
	NO CHANGE :	8 (19%)	10 (23%)	6 (16%)	12 (25%)	18 (21%)
Change in the level of Total Employment expected by 86 Milwaukee area firms for the 3rd quarter 2019 vs. 3rd quarter 2018:						
	RISE :	26 (60%)	23 (53%)	22 (58%)	27 (56%)	49 (57%)
	DECLINE :	2 (5%)	3 (7%)	4 (11%)	1 (2%)	5 (6%)
	NO CHANGE :	15 (35%)	17 (40%)	12 (32%)	20 (42%)	32 (37%)
Change in the per person, employee Wages & Salaries expected in the next 12 months:						
	AVERAGE :	3.0%	4.0%	2.8%	4.0%	3.5%

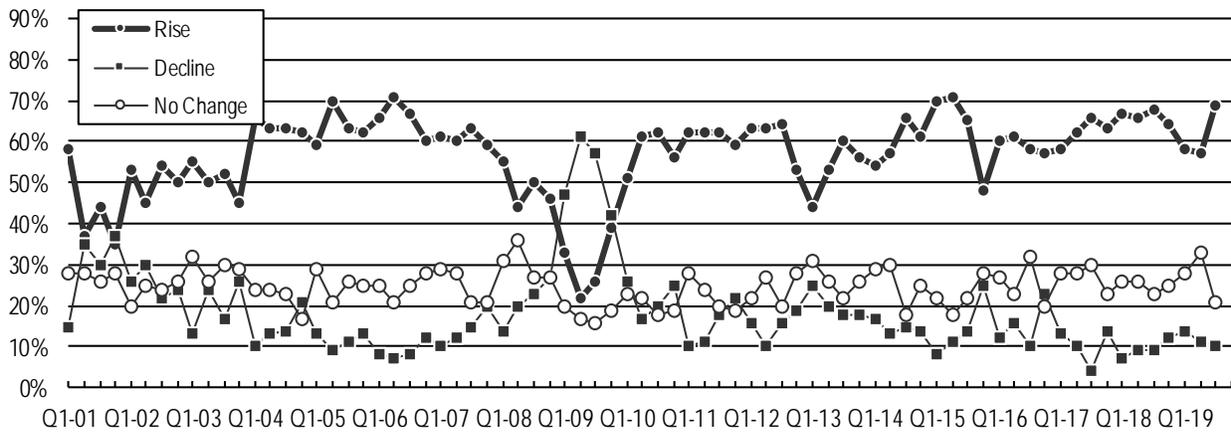
* Percentages may not sum to 100 due to rounding.

(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)

