Metro Milwaukee Business Outlook Survey
Third-Quarter, 2022

Prepared by:
Bret Mayborne
Vice President - Economic Research
Metropolitan Milwaukee Association of Commerce

August 1, 2022

METROPOLITAN MILWAUKEE
ASSOCIATION OF COMMERCE

Metro Milwaukee Business Outlook Survey, Third-Quarter, 2022

Metro Milwaukee business leaders' expectations for the third quarter of 2022 are somewhat mixed, according to the most recent Business Outlook Survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC.) Sixty-six percent of businesses surveyed see rising real sales levels in the third quarter (vs. year ago levels), while 63% expect increased profits and 60% see employment level gains.

"Milwaukee employers remain cautiously optimistic about continuing sales growth, rising profits and job gains through the third quarter," said Bret Mayborne, the MMAC's economic research director. "The primary cloud on the economic horizon remains future price inflation. The businesses we surveyed forecast continuing high price inflation and identified inflation as their top concern going into 2022's second half."

Sixty-six percent of surveyed businesses see rising real sales levels for the third quarter (vs. 2021's third quarter), down from the 70% who forecast second-quarter gains. Currently, 14% see declines in third-quarter sales levels, while 19% expect no change.

Manufacturers surveyed were more confident of improving third-quarter sales levels than non-manufacturers. Seventy-four percent of manufacturers see third-quarter sales gains (vs. 2021's third quarter), while 60% of non-manufacturers see such increases. By employment size, 69% of large companies (100 or more employees) surveyed see third-quarter sales gains vs. 64% among small companies.

Profit expectations rose over the previous quarter. Sixty-three percent of all businesses surveyed see increases in third-quarter profit levels (vs. year ago levels), up from the 54% who predicted second-quarter gains. Twenty-six percent see declines in third-quarter profits, while 11% expect no change.

Job gains in the metro area have been sluggish over 2022's first six months, averaging 1.5% year-over-year. This local growth is well below the national average of 4.6% posted in the year's first half.

Nonetheless, jobs in the metro area have now posted 15 consecutive months of year-over-year employment growth and survey results suggest overall job growth is likely to continue into the third quarter. Businesses forecasting third-quarter 2022 employment gains (60%) vs. year-ago levels outnumber those expecting job declines (6%) by a ten-to-one margin. Job expectations are higher than those expressed for 2022's second quarter when 49% of respondents forecast employment growth (vs. 2021's second quarter).

Manufacturers are more likely to forecast third-quarter employment gains (66% expect increases vs. year-ago levels) than non-manufacturers (where 56% see such gains). Further, large companies are more optimistic than small employers (69% vs. 53% respectively see job gains).

Labor shortages and inflationary pressures have kept wage and salary expectations at high levels. Businesses surveyed expect per employee wages and salaries to increase at a 5% rate in the next 12 months. Non-manufacturers see a 5.3% average increase while manufacturers forecast a 4.6% rise.

Calendar Year 2022 Expectations

Survey respondents have downgraded sales expectations toward calendar year 2022 over the course of the year's first six months. At year's start, 80% of all businesses surveyed expected real sales increases for 2022 as a whole. Currently 73% of those surveyed see annual real sales increases.

Optimism towards profit levels have also dropped. Fifty-eight percent of businesses predict profit increases in 2022, while 21% see declines (the remaining 22% predict no change). The current percentage expecting profit increases for the year is down from the 69% who opened 2022 expecting annual profit gains.

Still, employment expectations for the year remain robust. Sixty-four percent of employers surveyed forecast employment increases in 2022 for their local operations, while only 6% expect job declines. Twenty-nine percent see no change. This ranks marginally lower than the 66% who predicted job gains at the year's start.

Capital spending plans held steady. Forty-eight percent of employers surveyed see increased capital spending for the year, while 39% see no change. Only 13% expect capital spending declines for the year. The current percentage seeing increases matched the 48% who predicted capital expenditure gains at the beginning of 2022.

Annual consumer price inflation nationally averaged 8.3% over 2022's first six months. Businesses see more of the same in the year's second half. The largest number of those surveyed (35%) see price inflation falling in the 6% to 9% range for 2022, but a nearly equal number (32%) see inflation of 10% or more. Twenty-eight percent see inflation of 3% to 5%.

2022 Business Concerns

Businesses were asked to rank business concerns in 2022. Among the concerns listed, price inflation ranked as the most concerning. This was followed by labor shortages, continuing economic growth & recovery and supply chain issues. Among the six concerns listed, the least concerning for all businesses surveyed were office reopening plans and crime. Price inflation ranked as the top concern across businesses by industry and employment size.

Business Plans for a Post-Pandemic Workplace

A number of questions were asked regarding employers' plans for a post-pandemic workplace. For many of these questions there was not a definitive answer, reflecting mixed results for varied circumstances. By and large, most of those surveyed indicated some flexibility in having employees work remotely: 19% said they had a high level of flexibility for all employees while 22% indicated they had some flexibility depending on the employee's role and responsibilities. Thirty-six percent of companies surveyed indicated limited flexibility or that they had no remote workers.

For roles that can be hybrid, the largest number of responses placed the preferred number of days per week that employees would be in the office at three (27%). Two days (14%) and four days (12%) followed in order. In terms of determining the preferred number of days in the office, 33% of employers were providing guidance on the number while 25% were requiring a specific

number. Additionally, 23% of respondents indicated that they were tracking attendance of their remote workers while 38% were not checking attendance.

Employers were also asked about what strategies they are using to attract or retain workers. Multiple responses were allowed, but the most frequently cited strategy was increasing salaries, mentioned by 79% of those surveyed. Making improvements to company culture (64%), providing bonuses (54%), and greater flexibility on remote work and/or scheduling (53%) followed next in order by percentage of respondents who cited them.

In a question on attracting and retaining diverse talent, the largest number of those surveyed (46%) indicated that they currently have a robust strategy in place on recruiting and retaining employees with diverse backgrounds, 31% said that their respective companies are taking steps toward establishing a strategy and 8% suggested they were interested in establishing a strategy but could use guidance.

The Business Outlook Survey, conducted by the MMAC, contains responses from 78 Milwaukee area firms, both large and small, employing more than 20,000 people.

MMAC's Third-Quarter 2022 Business Outlook Survey*

	Firms expecting a:	By Size Large	By Size Small (1)	By Industry Mfg.	By Industry Non-mfg.	TOTAL
2022 Forecast						
Change in the dollar volume of **Sales** (net of inflationary effects) expected by 78 Milwaukee area firms for the entire year of 2022 vs. the entire year of 2021:	RISE :	80%	67%	80%	67%	73%
	DECLINE :	6%	14%	9%	12%	10%
	NO CHANGE :	14%	19%	11%	21%	17%
Change in dollar volume of **Profits** expected by 78 Milwaukee area firms for the entire year of 2022 vs. the entire year of 2021:	RISE :	66%	51%	66%	51%	58%
	DECLINE :	11%	28%	17%	23%	21%
	NO CHANGE :	23%	21%	17%	26%	22%
Change in the dollar volume of **Capital Expenditures** expected by 77 Milwaukee area firms for the entire year of 2022 vs. the entire year of 2021:	RISE :	46%	50%	46%	50%	48%
	DECLINE :	9%	17%	20%	7%	13%
	NO CHANGE :	46%	33%	34%	43%	39%
Rate of **Inflation** expected to affect 75 Milwaukee area operations for the entire year of 2022:	DEFLATION	0%	0%	0%	0%	0%
	0-2% INFLATION :	3%	7%	3%	7%	5%
	3-5% INFLATION :	21%	34%	15%	38%	28%
	6-9% INFLATION :	47%	24%	36%	33%	35%
	10% or more :	29%	34%	45%	21%	32%
Change in the level of **Total Employment** expected by 78 Milwaukee area firms for the entire year of 2022 vs. 2021:	RISE :	74%	56%	69%	60%	64%
	DECLINE :	6%	7%	9%	5%	6%
	NO CHANGE :	20%	37%	23%	35%	29%
2022 Third Quarter (Compared to Previous Quarter)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 78 Milwaukee area firms for 3rd quarter 2022 vs. 2nd quarter 2022:	RISE :	57%	63%	60%	60%	60%
	DECLINE :	9%	12%	14%	7%	10%
	NO CHANGE :	34%	26%	26%	33%	29%
2022 Third Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of **Sales** (net of inflationary effects) expected by 77 Milwaukee area firms for the 3rd quarter 2022 vs. 3rd quarter 2021:	RISE :	69%	64%	74%	60%	66%
	DECLINE:	9%	19%	14%	14%	14%
	NO CHANGE :	23%	17%	11%	26%	19%
Change in the dollar volume of **Profits** expected by 76 Milwaukee firms for the 3rd quarter 2022 vs. 3rd quarter of 2021:	RISE :	70%	58%	71%	57%	63%
	DECLINE :	21%	30%	21%	31%	26%
	NO CHANGE :	9%	12%	9%	12%	11%
Change in the level of **Total Employment** expected by 78 Milwaukee area firms for the 3rd quarter 2022 vs. 3rd quarter 2021:	RISE :	69%	53%	66%	56%	60%
	DECLINE :	3%	9%	6%	7%	6%
	NO CHANGE :	29%	37%	29%	37%	33%
Change in the per person, employee **Wages & Salaries** expected in the next 12 months:	AVERAGE :	5.3%	4.8%	4.6%	5.3%	5.0%

MMAC's Third-Quarter 2022 Business Outlook Survey*

		By Size		By Industry		
	Firms expecting a:	Large	Small (1)	Mfg.	Non-mfg.	TOTAL
Business Concerns going into 2022's Third Quarter						
Average ranking of concern level ranked 1 to 5. 1 being ranked most concerning, 5 being lowest ranked concern.	Price inflation	1.91	2.05	1.85	2.09	1.99
	Continuing economic growth & recovery	2.12	2.57	2.56	2.23	2.37
	Supply chain issues	2.51	2.98	1.97	3.40	2.77
	Labor shortages	1.91	2.37	1.94	2.33	2.16
	Office reopening plans	4.76	5.53	5.65	4.84	5.18
	Crime	4.62	4.12	4.25	4.42	4.35

Business Plans for a Post-Pandemic Workplace

Question	Response	% of Total
How much flexibility do your employees have to work remotely?	High level of flexibility for all	19%
	High level of flexibility, but only for roles that can be preformed remotely	22%
	Some flexibility depending on roles and responsibilities	22%
	Limited flexibility	18%
	Do not have remote workers	18%
For roles that can be hybrid, what is the preferred number of days per week that employees are onsite at the office?	1	5%
	2	14%
	3	27%
	4	12%
	Does not apply to me	42%
For roles that can be hybrid, are you requiring or just providing guidance/suggestion on a preferred number of days in the office?	Requiring	25%
	Guiding/suggesting	33%
	Does not apply to me	42%
For roles that can be hybrid, are you tracking attendance?	Yes	23%
	No	38%
	Does not apply to me	39%
What strategies are you using to attract or retain workers?	Increasing salaries	79%
	Providing bonuses	54%
	More flexible on remote work and/or scheduling	53%
	Additional vacation time	28%
	Improvements to company culture	64%
	Reevaluating job requirements, i.e. education level, years of experience	45%
How would you describe your company's efforts to attract and retain employees from diverse backgrounds?	We have a robust recruiting and retention strategy in place	46%
	We are taking steps toward establishing a strategy	31%
	We are interested in establishing a strategy, but could use guidance	8%
	Does not apply to me	15%

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

Note: Number of businesses reporting in sub-categories is small, thus differences between categories may not be meaningful