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# **Metro Milwaukee Business Outlook Survey Fourth-Quarter 2023**

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November 2, 2023



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## Metro Milwaukee Business Outlook Survey, Fourth-Quarter, 2023

**Business confidence in the metro area's economy weakened in 2023's fourth quarter, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce. Quarterly optimism across all three metrics – sales, profits and employment – registered under 50% while both sales and profit expectations declined from third-quarter levels.**

**“The current situation calls into question whether local growth can continue in the near term and, in fact, metro businesses surveyed ranked continuing economic growth as their number one concern.” said Bret Mayborne, the MMAC's economic research director. “Yet with that said the metro area has not yet slipped into a jobs recession – job growth, while slow, continues and unemployment rates remain low despite lackluster expectations.”**

Forty-seven percent of all businesses surveyed see real sales gains in 2023's fourth quarter (vs. year-ago levels). Thirty-three percent predict fourth-quarter sales declines while 20% expect no change. Quarterly sales optimism is down from the 56% of businesses that forecast third-quarter gains and marks the first time in 11 quarters (since 2021's first quarter) that less than half of those surveyed predicted year-over-year quarterly sales growth.

Little variation in sales expectations was registered by firm size or industry. Forty-seven percent of large companies (100 employees or more) surveyed see fourth-quarter sales gains (vs. 2022's fourth quarter) compared to 46% among small firms. By industry, 47% of manufacturers see fourth-quarter sales gains (vs. 2022's fourth quarter), equaling the 47% of non-manufacturers predicting such increases.

Profit expectations have trended low in 2023, falling under 50% in two of 2023's four quarters. Currently 43% of all surveyed businesses see fourth-quarter profit gains (vs. 2022's fourth quarter) – lower than the 51% of respondents who predicted third-quarter increases. Additionally, 30% see profit declines in 2023's fourth quarter and 27% see no change.

The current employment situation is a bit mixed at present. Nonfarm employment levels in metro Milwaukee have posted year-over-year gains in 19 of the past 20 months (since April 2021) but the rate of growth has slowed. Year-over-year job growth averaged 0.5% through 2023's third quarter but this is noticeably slower than the 2.2% rate of growth posted in 2022. The metro area's unemployment rate hit historically low levels in 2022's first half but has started to tick modestly upward.

Expectations toward future job growth are tempered with a large percentage (34%) of those surveyed seeing no change in fourth-quarter job levels. A somewhat larger percentage (45%) see fourth-quarter employment growth over year-ago levels, outnumbering those predicting declines (21%) by over a two-to-one margin. The current percentage forecasting employment gains is up from the 40% who forecast job increases in 2023's third quarter.

A notable difference in job expectations was registered by company size. Fifty-three percent of large companies surveyed expect fourth-quarter employment gains (vs. 2022's fourth quarter) compared to 38% for small employers. Conversely expectations by industry were similar with 45% of both manufacturing and non-manufacturing companies expecting job gains.

Wage and salary expectations turned upward in 2023's fourth quarter. Employers project an average annual increase of 4.2% in per employee wages and salaries over the next 12 months. The forecast average is up from the 3.6% rise projected three months ago.

Expectations for 2023 as a whole improved somewhat from levels forecast three months ago but remain low. Currently 54% of businesses surveyed expect real sales gains for the calendar year, with 37% seeing declines and 10% predicting no change. The current forecast is up modestly from the 49% who saw 2023 calendar year sales gains three months ago but is significantly under the 70% of those surveyed who saw calendar year sales gains at the beginning of 2023.

Real sales forecasts for calendar year 2024 are somewhat mixed. In their first look at expectations toward the coming year, 63% of businesses see real sales gains in 2024 (vs. 2023), higher than the current 2023 forecast. Only 11% expect 2024 sales declines while the remaining 26% see no change. Nonetheless, expectations for 2024 rank lower than the initial forecast for 2023. Twelve months ago, 76% of survey respondents forecast sales gains for the forthcoming calendar year (2023).

Comparatively, large businesses expressed a higher level of optimism toward 2024. Seventy percent of large employers expect real sales gains for the year vs. 56% among small employers. Both manufacturers and non-manufacturers see similar sales trends in 2024. Sixty-three percent of non-manufacturers surveyed see real sales gains in 2024 versus 62% for manufacturers.

## **2023 Business Concerns**

Businesses were asked to rate business concerns as 2023 comes to a close. Among the concerns listed, continuing economic growth ranked as the most concerning. This was followed by price inflation, labor shortages, healthcare costs, supply chain issues and crime.

Continuing economic growth was ranked as either the top or second-highest concern across businesses by industry and employment size with the exception of manufacturing where labor force shortages ranked as the number one concern.

The Business Outlook Survey, conducted by the MMAC, contains responses from 82 Milwaukee area firms, both large and small, employing more than 19,400 people.

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## MMAC's Fourth-Quarter 2023 Business Outlook Survey\*

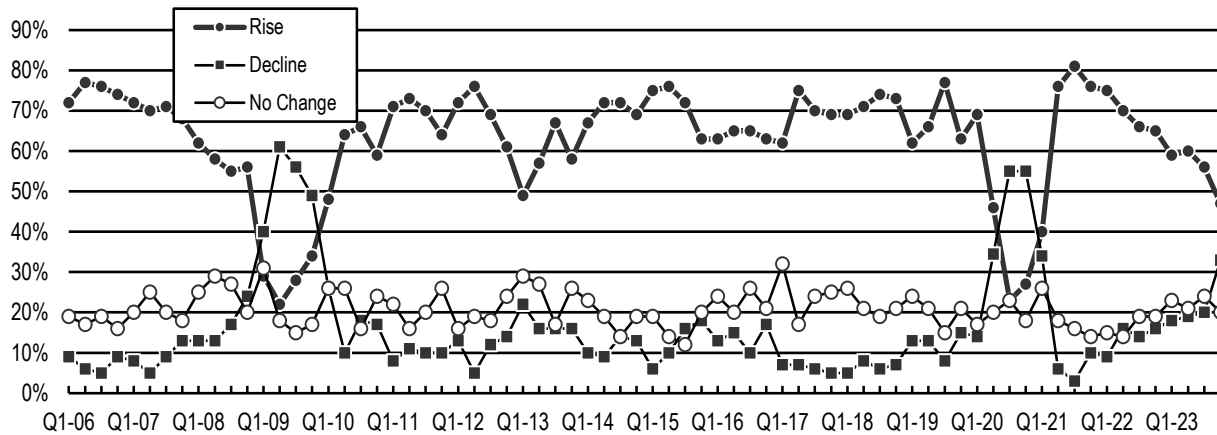
	Firms Expecting a:	Employers by Size Large	Small (1)	Employers by Industry Manuf.	Non-Manuf.	TOTAL
<b>2023 Forecast</b>						
Change in the dollar volume of <b>Sales</b> (net of inflationary effects) expected by 82 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022:	RISE :	56%	51%	53%	54%	54%
	DECLINE :	32%	41%	37%	37%	37%
	NO CHANGE :	12%	7%	10%	10%	10%
<b>2023 Fourth Quarter (Compared to Previous Quarter)</b>						
Change in dollar volume of <b>Sales</b> (net of inflationary effects) expected by 82 Milwaukee area firms for 4th quarter 2023 vs. 3rd quarter 2023:	RISE :	41%	41%	43%	40%	41%
	DECLINE :	24%	34%	37%	25%	29%
	NO CHANGE :	34%	24%	20%	35%	29%
<b>2023 Fourth Quarter (Compared to Same Quarter One Year Ago)</b>						
Change in dollar volume of <b>Sales</b> (net of inflationary effects) expected by 79 Milwaukee area firms for the 4th quarter 2023 vs. 4th quarter 2022:	RISE :	47%	46%	47%	47%	47%
	DECLINE:	34%	32%	37%	31%	33%
	NO CHANGE :	18%	22%	17%	22%	20%
Change in the dollar volume of <b>Profits</b> expected by 82 Milwaukee firms for the 4th quarter 2023 vs. 4th quarter of 2022:	RISE :	51%	34%	57%	35%	43%
	DECLINE :	27%	34%	30%	31%	30%
	NO CHANGE :	22%	32%	13%	35%	27%
Change in the level of <b>Total Employment</b> expected by 80 Milwaukee area firms for the 4th quarter 2023 vs. 4th quarter 2022:	RISE :	53%	38%	45%	45%	45%
	DECLINE :	23%	20%	24%	20%	21%
	NO CHANGE :	25%	43%	31%	35%	34%
Change in the per person, employee <b>Wages &amp; Salaries</b> expected in the next 12 months:	AVERAGE :	4.5%	4.0%	4.2%	4.3%	4.2%
<b>2024 Forecast</b>						
Change in the dollar volume of <b>Sales</b> (net of inflationary effects) expected by 81 Milwaukee area firms for the entire year of 2024 vs. the entire year of 2023:	RISE :	70%	56%	62%	63%	63%
	DECLINE :	3%	20%	14%	10%	11%
	NO CHANGE :	28%	24%	24%	27%	26%
<b>Business Concerns going into 2023's Fourth Quarter</b>						
Average ranking of concern level ranked 1 to 5. 1 being ranked most concerning, 5 being lowest ranked concern.	Continuing economic growth & recovery	1.83	2.46	2.51	1.92	2.14
	Price inflation	2.68	2.33	2.69	2.40	2.51
	Labor shortages	2.38	2.95	2.38	2.82	2.66
	Healthcare costs	3.63	2.97	3.19	3.37	3.31
	Supply chain issues	3.75	4.15	3.34	4.30	3.95
	Crime	4.38	4.23	4.61	4.14	4.31

\* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 people.

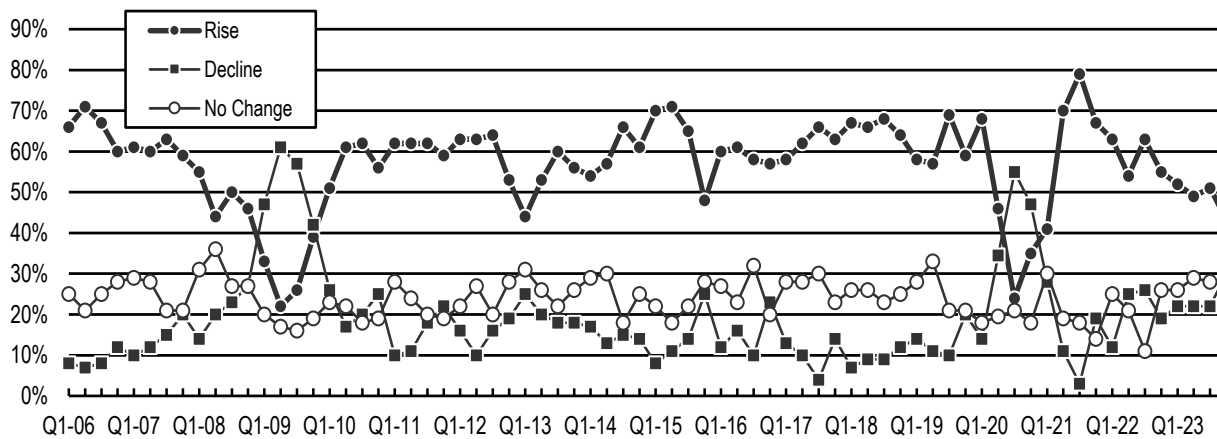
### Quarterly Real Sales Expectations - Metro Milwaukee

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



### Quarterly 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)

