



Metropolitan Milwaukee
Association of Commerce

NEWS RELEASE

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MMAC Business Outlook Survey Fourth-Quarter, 2018

October 12, 2018 – Expectations among Milwaukee area businesses remain at healthy levels, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). Seventy-three percent of businesses surveyed see rising real sales levels in 2018’s fourth quarter (vs. year ago levels), 64% see improved profits, and 50% forecast employment gains for their local operations.

“Expectations for the fourth quarter rank a bit lower than those expressed for 2018’s third quarter, but overall levels of business optimism remain healthy,” said Bret Mayborne, the MMAC’s economic research director. “Further, beyond 2018’s fourth quarter, businesses surveyed forecast real sales growth continuing into 2019, with a high level of confidence expressed among manufacturers.”

Quarterly sales optimism has largely held steady in recent quarters. Currently 73% of surveyed businesses see rising real sales levels for the fourth quarter (vs. 2017's fourth quarter). This percentage is similar to those expressed in the two previous quarters when 71% and 74% predicted future quarterly sales gains (in 2018’s second and third quarters respectively). Currently only 7% see declines in fourth-quarter sales levels, while 21% expect no change.

Manufacturers are somewhat more confident of improving fourth-quarter sales levels than non-manufacturers. Seventy-six percent of manufacturers see fourth-quarter sales gains (vs. 2017's fourth quarter), while 71% of non-manufacturers see such increases. By employment size,

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expectations were similar, with 73% of large companies (100 or more employees) seeing gains vs. 72% among small companies surveyed.

Sixty-four percent of all businesses surveyed see increases in fourth-quarter profit levels (vs. year ago levels), down modestly from the 68% who predicted third-quarter gains. Twelve percent see declines in fourth-quarter profits, while 25% expect no change.

Consistently moderate job gains in the metro area have pushed employment totals to near all-time high levels. Overall job gains have averaged 1%, year-over-year, over the course of 2018's first eight months, with particularly strong increases in manufacturing. If this trend continues through the remainder of 2018, the metro area will likely push to its highest average annual job total on record, surpassing its previous high of 874,700 in 2000.

Survey results suggest a continuing positive employment trend. One half (50%) of all businesses surveyed expect fourth-quarter employment levels to exceed levels posted one year ago. Conversely only seven percent of surveyed businesses predict declining employment levels. Current levels of optimism are down from third-quarter expectations when 57% of employers saw third-quarter growth.

By industry, expectations were strongest among manufacturers surveyed. Fifty-five percent of manufacturers expect job gains in 2018's fourth quarter (vs. year-ago levels) vs. 49% of non-manufacturers. While job optimism among non-manufacturers was smaller, those seeing job gains still exceed those predicting declines by over a six-to-one margin (43% see increases vs. 7% expecting declines).

Projected gains in per employee wage and salary levels leveled off in 2018's fourth quarter. Currently employers see wages and salaries increasing by an average of 3.4% over the next twelve months, down marginally from the 3.5% increase forecast in 2018's third quarter.

Expectations for calendar year 2018 have dipped since the beginning of the year. Currently 74% of all businesses surveyed predict improved real sales levels for 2018 as a whole. This forecast is down from the 80% who saw 2018 calendar year sales gains at the beginning of 2018. Currently 6% of businesses expect sales declines for the year as a whole, while 21% predict no change.

In the survey's first look at expectations for the 2019 calendar year, 79% of metro area businesses see real sales gains in 2019 (vs. 2018) while only 3% project declines. The remaining 18% see no change. Expectations for 2019 rank modestly higher than the initial forecast for 2018 (given 12 months ago) when 72% of respondents forecast sales gains for the forthcoming calendar year (2018).

Manufacturers are noticeably more optimistic toward real sales increases in 2019 than non-manufacturers. Ninety-one percent of manufacturers expect sales gains for the year vs. 73% among non-manufacturers. Likewise, large employers are more optimistic than small employers. Eighty-three percent of large employers see real sales gains in 2019 vs. 75% for small employers.

The Business Outlook Survey, conducted by the MMAC, contains responses from 103 Milwaukee area firms, both large and small, employing more than 31,000 people.

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Statistical table attached.

MMAC's Fourth-Quarter 2018 Business Outlook Survey*

| | Firms Expecting a: | Employers by Size | | Employers by Industry | | TOTAL |
|--|-----------------------|-------------------|-----------|-----------------------|------------|----------|
| | | Large | Small (1) | Manuf. | Non-Manuf. | |
| 2018 Forecast | | | | | | |
| Change in the dollar volume of Sales (net of inflationary effects) expected by 102 Milwaukee area firms for the entire year of 2018 vs. the entire year of 2017: | | | | | | |
| | RISE : | 34 (71%) | 41 (76%) | 26 (79%) | 49 (71%) | 75 (74%) |
| | DECLINE : | 4 (8%) | 2 (4%) | 0 (0%) | 6 (9%) | 6 (6%) |
| | NO CHANGE : | 10 (21%) | 11 (20%) | 7 (21%) | 14 (20%) | 21 (21%) |
| 2018 Fourth Quarter (Compared to Previous Quarter) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 102 Milwaukee area firms for 4th quarter 2018 vs. 3rd quarter 2018: | | | | | | |
| | RISE : | 29 (60%) | 36 (67%) | 20 (61%) | 45 (65%) | 65 (64%) |
| | DECLINE : | 6 (13%) | 6 (11%) | 4 (12%) | 8 (12%) | 12 (12%) |
| | NO CHANGE : | 13 (27%) | 12 (22%) | 9 (27%) | 16 (23%) | 25 (25%) |
| 2018 Fourth Quarter (Compared to Same Quarter One Year Ago) | | | | | | |
| Change in dollar volume of Sales (net of inflationary effects) expected by 102 Milwaukee area firms for the 4th quarter 2018 vs. 4th quarter 2017: | | | | | | |
| | RISE : | 35 (73%) | 39 (72%) | 25 (76%) | 49 (71%) | 74 (73%) |
| | DECLINE: | 4 (8%) | 3 (6%) | 2 (6%) | 5 (7%) | 7 (7%) |
| | NO CHANGE : | 9 (19%) | 12 (22%) | 6 (18%) | 15 (22%) | 21 (21%) |
| Change in the dollar volume of Profits expected by 102 Milwaukee firms for the 4th quarter 2018 vs. 4th quarter of 2017: | | | | | | |
| | RISE : | 29 (60%) | 36 (67%) | 23 (70%) | 42 (61%) | 65 (64%) |
| | DECLINE : | 5 (10%) | 7 (13%) | 4 (12%) | 8 (12%) | 12 (12%) |
| | NO CHANGE : | 14 (29%) | 11 (20%) | 6 (18%) | 19 (28%) | 25 (25%) |
| Change in the level of Total Employment expected by 103 Milwaukee area firms for the 4th quarter 2018 vs. 4th quarter 2017: | | | | | | |
| | RISE : | 27 (56%) | 25 (45%) | 18 (55%) | 34 (49%) | 52 (50%) |
| | DECLINE : | 2 (4%) | 5 (9%) | 2 (6%) | 5 (7%) | 7 (7%) |
| | NO CHANGE : | 19 (40%) | 25 (45%) | 13 (39%) | 31 (44%) | 44 (43%) |
| Wages & Salaries | | | | | | |
| Average change in the per person, employee Wages & Salaries expected in the next 12 months: | | | | | | |
| | AVERAGE : | 3.2% | 3.5% | 3.1% | 3.5% | 3.4% |
| 2019 Forecast | | | | | | |
| Change in the dollar volume of Sales (net of inflationary effects) expected by 103 Milwaukee area firms for the entire year of 2019 vs. the entire year of 2018. | | | | | | |
| | RISE : | 40 (83%) | 41 (75%) | 30 (91%) | 51 (73%) | 81 (79%) |
| | DECLINE : | 1 (2%) | 2 (4%) | 1 (3%) | 2 (3%) | 3 (3%) |
| | NO CHANGE : | 7 (15%) | 12 (22%) | 2 (6%) | 17 (24%) | 19 (18%) |

* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 people.