

# BMO report explores WI business outlook in constrained growth environment

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Businesses in Wisconsin are “prioritizing efficiency and productivity” over hiring amid a tight labor market and tepid state-level economic growth.

That’s according to a new state business outlook report released today by BMO Bank, featuring insights from Dave Anderson, head of Wisconsin and Minnesota commercial banking for the Chicago-based bank.

He wrote businesses in the state began this year “from a position of resilience” rather than acceleration, despite a relatively strong performance last year. Anderson pointed to uncertainty around monetary policy, geopolitics and domestic politics as overarching factors, adding companies are prioritizing long-term execution under these conditions.

“At the same time, businesses are operating within a structurally constrained growth environment, shaped by long-running labor shortages and slower relative economic expansion compared with the national average,” he wrote.

Wisconsin’s real GDP grew by 1.5% year-over-year in the third quarter of 2025, below the national rate of 2.3%, BMO Deputy Chief Economist Michael Gregory wrote in the outlook report. That ranks 39th among U.S. states, he noted, adding “underperformance is a perennial problem” for Wisconsin.

The state’s unemployment was 3.1% at the end of 2025, near a record low for Wisconsin and matching the sixth-lowest rate in the country, according to Gregory. At the same time, Wisconsin has one of the oldest labor forces in the country, driving down both the participation rate and the unemployment rate.

“Aside from the state’s above-average exposure to more cyclical industries such as manufacturing and agriculture, which can beget temporary bouts of underperformance, the dominant drag on Wisconsin’s relative economic

performance is its chronically constrained labor supply,” he wrote.

Anderson notes the state’s tight labor market is driven by these demographic pressures and low participation rates, rather than strong hiring demand. To succeed in this environment, businesses are working on process improvement and technology adoption, doing “more with less” to optimize the existing workforce, he wrote.

As a result, business investments in automation and digital tools are on the rise to “extend capacity” and support sustainable growth even while facing hiring challenges.

Meanwhile, manufacturing and construction “continue to anchor” the state economy while grappling with the labor challenge, tariffs and “margin pressure,” Anderson wrote.

“While backlogs provide some near-term visibility, employment growth has been uneven, reinforcing the need for disciplined capital planning and productivity-focused investment rather than broad expansion,” he wrote.

Gregory drew a connection between labor force challenges in Wisconsin and eroding housing affordability, noting the volume of home sales fell 2.1% over the year for the three-month period ending in January while the median sale price rose 4.3% over the same period.

“The erosion of affordability is also problematic for a state attempting to attract workers,” he wrote.

Still, Anderson said “there is a broad recognition” that the domestic economy is fundamentally sound and success will result from “staying disciplined, investing strategically, and growing primarily through efficiency and scale” rather than adding jobs.

See the [full report](#).