Wisconsin Is Open for Business

The State of Wisconsin’s Economy

Transportation Funding Does Not Occur in a Vacuum

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Department of Workforce Development
May 18, 2011
FIRST OF ALL, YOU NEED TO UNDERSTAND WISCONSIN’S ECONOMY
HOW BAD WAS IT?

THINGS THAT NEVER HAPPENED BEFORE

- Four negative U.S. GDP quarters in a row
- Global GDP declined
- The U.S. and Japan were in recession at the same time

- Longest downturn since Great Depression
- Almost twice as long as post-war average recession
INDUSTRIAL ACTIVITY PLUNGED
ESPECIALLY THE MIDWEST

Source: Chicago Fed, OEA
EMPLOYMENT DROPPED PRECIPITOUSLY
JOB LOSSES WORSE THAN 1981 RECESSION

Source: Bureau of Labor Statistics, LMI, OEA
UNEMPLOYMENT CLIMBED NOT QUITE TO LEVELS OF 1981 RECESSION

Unemployment Rates (seasonally adjusted)

Source: Bureau of Labor Statistics, LMI, OEA

May 18, 2011
SIGN OF THE TIMES
SHIFT IN SECONDARY INCOME STREAMS

Non-wage Income

- Proprietors' income
- Rental income
- Receipts on assets
- Transfer receipts

Source: Bureau of Economic Analysis, OEA
HOW DO YOU SPELL RECOVERY?
HOW DO YOU SPELL RECOVERY?

- GDP
- DJIA
- JOBS
HOW DO YOU SPELL RECOVERY?
GDP; Seven positive quarters, Q1 2011 up 1.8% (prelim)

Source: Bureau of Economic Analysis, OEA
Wisconsin is Open for Business

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THE STATE OF WISCONSIN'S ECONOMY

11

Source: BEA, OEA

BUSINESS CYCLE SEVERE
SIX QUARTERS TO RECOVER

Gross Domestic Product

Billions

$13,500

$13,400

$13,300

$13,200

$13,100

$13,000

$12,900

$12,800

$12,700


Source: BEA, OEA
HOW DO YOU SPELL RECOVERY?
DJIA; UP 94% SINCE MARCH 9, 2009

Corporations are doing well. Profits are at new levels.

Source: BEA, OEA
MANAGING RISK
WHERE IS THE INCENTIVE TO EXPAND

STILL, WITH THE ECONOMY THIS UNCERTAIN, WE WON’T BE HIRING ANYONE UNTIL WE SEE THE EMPLOYMENT NUMBERS IMPROVE.
HOW DO YOU SPELL RECOVERY?
JOBS; STILL DOWN 140,000

Wisconsin Total Nonfarm Jobs (NSA)

Source: Bureau of Labor Statistics, LMI, OEA
JOB RECOVERY
WILL TAKE TIME, BUT THINGS ARE TURNING UP

Job Losses in Recent Recessions - Wisconsin - # of Months Since Recession Declaration

Source: DWD, OEA, X12 adjustment of not seasonally adjusted CES via U.S. BLS

Source: BLS, OEA
Blue is history (CES SA, December 2010 is benchmark, 2,736,300).
Orange is DOR forecast (quarterly then annual, Winter 2011 Outlook).
Yellow is 250,000 goal for December 2014 (2,986,300).

Source: BLS, DOR, OEA
WHERE ARE WE HEADED?
INVESTMENT GROWTH IS IN PRODUCTIVITY, NOT EXPANSION

Source: Bureau of Economic Analysis, OEA
INVESTMENT GROWTH IS IN PRODUCTIVITY, NOT EXPANSION

Source: Bureau of Economic Analysis, OEA
HOUSING TURNAROUND PENDING?
STILL BARRIERS TO OVERCOME

WISCONSIN BANKS
STILL REPORTING LOSSES

Net Income All Wisconsin Institutions

Amounts in Millions of Dollars

Source: FDIC-Division of Insurance and Research, Federal Reserve
WISCONSIN HOUSING DOWN BOTTOMED?

Wisconsin Privately Owned Authorized Housing Units

Units Authorized

Jan-06 Apr-06 Jul-06 Oct-06 Jan-07 Apr-07 Jul-07 Oct-07 Jan-08 Apr-08 Jul-08 Oct-08 Jan-09 Apr-09 Jul-09 Oct-09 Jan-10 Apr-10 Jul-10 Oct-10 Jan-11

Total

Single Unit
HEAVY CONSTRUCTION EMPLOYMENT DOWN
BUDGETS NOT CONDUCIVE FOR QUICK TURNAROUND

Wisconsin Heavy Construction Employment

Source: Bureau of Labor Statistics, OEA
NOW FOR THE GOOD NEWS
Wisconsin Payroll Withholding

WISCONSIN WITHHOLDING COLLECTIONS UP 7.3% OVER THE YEAR
WISCONSIN SALES TAX COLLECTIONS UP
3.9% OVER THE YEAR

Wisconsin Sales Tax Collections

Year-over-year Growth

-12% -10% -8% -6% -4% -2% 0% 2% 4% 6% 8%

2007M01 2008M01 2009M01 2010M01 2011M01

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## Wisconsin Sales Tax Collections by Industry

### 10 Largest Industries by Sales Tax Collections

<table>
<thead>
<tr>
<th>Industry</th>
<th>Mar 2010</th>
<th>Mar 2011</th>
<th>y/y growth</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>452 General Merchandise Stores</td>
<td>27,756,157</td>
<td>29,849,215</td>
<td>7.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>441 Motor Vehicle and Parts Dealers</td>
<td>26,348,726</td>
<td>29,821,565</td>
<td>13.2%</td>
<td>10.5%</td>
</tr>
<tr>
<td>517 Telecommunications</td>
<td>26,721,140</td>
<td>26,903,278</td>
<td>0.7%</td>
<td>9.4%</td>
</tr>
<tr>
<td>722 Food Services and Drinking Places</td>
<td>26,464,293</td>
<td>26,023,454</td>
<td>-1.7%</td>
<td>9.1%</td>
</tr>
<tr>
<td>453 Miscellaneous Store Retailers</td>
<td>18,349,601</td>
<td>18,010,261</td>
<td>-1.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>423 Merchant Wholesalers, Durable Goods</td>
<td>12,766,467</td>
<td>13,595,942</td>
<td>6.5%</td>
<td>4.8%</td>
</tr>
<tr>
<td>444 Building Material &amp; Garden Supply Stores</td>
<td>13,157,323</td>
<td>12,886,975</td>
<td>-2.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>221 Utilities</td>
<td>12,126,474</td>
<td>12,826,071</td>
<td>5.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>445 Food and Beverage Stores</td>
<td>8,815,206</td>
<td>8,800,334</td>
<td>-0.2%</td>
<td>3.1%</td>
</tr>
<tr>
<td>448 Clothing and Clothing Accessories Stores</td>
<td>8,192,758</td>
<td>8,182,362</td>
<td>-0.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>All Other</td>
<td>96,222,097</td>
<td>98,291,314</td>
<td>2.2%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>
ISM MANUFACTURING INDEX
MILWAUKEE AREA BANDS U.S.

ISM Manufacturing Index

Index: Reading above 50 signals expansion

- National
- Milwaukee
WISCONSIN TRANSPORTATION SERVICES INDEX

UP 4.0%
Wisconsin Employment Index

Leading Component Showing Promise

Wisconsin Employment Index

Index, 1991=100

Employment Index
Leading Index

1999M01 2002M01 2005M01 2008M01 2011M01
INCOME GAINS
OUTPACING CONSUMPTION

Source: Bureau of Economic Analysis, OEA
CONSUMPTION v. SAVINGS
SHORT-RUN v. LONG-RUN

Income Disposition
($ billions)


Source: Bureau of Economic Analysis, OEA
IN CONCLUSION
CONTINUED RECOVERY

- Recovery is self-sustaining.
- Employment may breach in 2014.
- Strength of recovery subject to consumer income and wealth uncertainty.

Risks
- High unemployment dampens income growth.
- Prolonged high gasoline prices sap consumption.
- European Union fiscal problems wash over the global financial markets.
Questions ?
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