

# WISCONSIN ECONOMIC FORECAST UPDATE: NOVEMBER 2020

## AS OF NOVEMBER 22<sup>nd</sup>, SUBJECT TO ONGOING REVISION

*Given the massive uncertainty facing US and global economic conditions, this outlook is reflective of the current data available and is subject to significant revisions, as additional information and national forecasts become available.*

- The COVID-19 pandemic has severely disrupted the world, US and Wisconsin economies. Renewed containment measures and unease among consumers continue to dampen economic activity.
- The latest IMF's World Economic Outlook expects the World Output to decline 4.4% in 2020 and then grow 5.2% in 2021. For the first time since the Great Depression, both advanced and emerging market economies were in recession in 2020. But the drop is larger and the recovery slower in advanced economies than in emerging and developing economies.
- The November IHS Markit forecast shows a slowing down of the economic recovery in the last quarter of 2020 and beginning of 2021. Several high-frequency

indicators point to a further deceleration in October, but the forecast does not include a double dip.

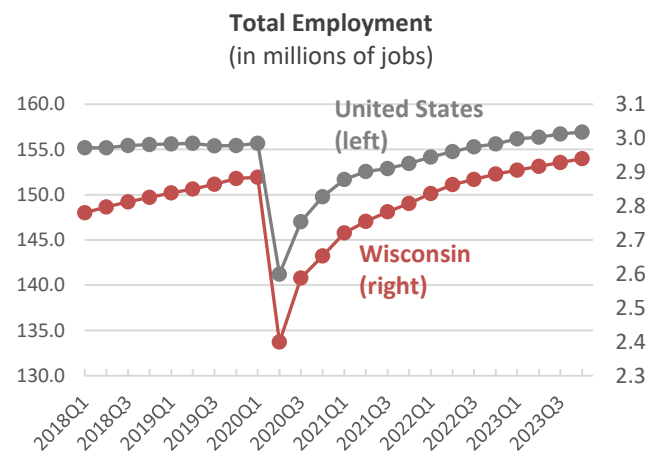
- Employment bottomed in April and has been slowly growing since, recovering slightly more than half of the jobs lost in Wisconsin and nationwide.
- Wisconsin employment is expected to post an annual decline of 6.4% in 2020 and to grow 4.0% in 2021.
- Wisconsin personal income growth accelerated in 2020 pushed by the federal stimulus funds, but it's expected to decline 1.9% in 2021, as the fiscal stimulus fades.
- The current forecast assumes no further fiscal stimulus and that a vaccine will be available by mid-2021.

Since our last forecast in June, the COVID economic recession has shown to be very different compared with previous cycles. While the economic activity in some services industries was crushed, other sectors were able to navigate this recession suffering minor damage or even showing strong growth (e-commerce, housing). As a consequence, low-wage services (such as leisure and hospitality) workers and small business were disproportionately impacted, leading to increasing income inequality. This, on top of the federal stimulus, explains why some economic indicators fared better than expected. The uneven impact of the current economic pain is also reflected in higher-than-expected tax revenue.

employment to grow 4.0% in 2021, 2.1% in 2022 and 1.4% in 2023. Wisconsin is expected to recover the pre-COVID-19 level of employment by early 2023, while the US will reach that level of employment by the end of 2022.

Recent quarterly data is expected to show major revisions next March. The current forecast focuses on annual changes that try to incorporate those expected revisions. When interpreting this forecast, please keep this in mind. The larger unknown in this recession is the long-term impact of the "temporary" COVID-related restrictions.

Wisconsin employment bottomed in April and has recovered about half of the 475,000 jobs lost in the spring of 2020. The coming of winter months and the re-adoption of containment measures is expected to slow the recovery of the labor markets. The economic forecast for Wisconsin expects

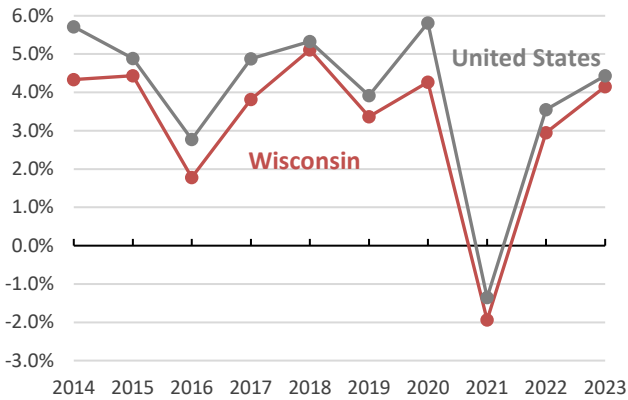


Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

Personal income growth in 2019 was revised down for Wisconsin and nationwide. Wisconsin personal income grew 3.4% in 2019, compared to 3.9% nationwide. The forecast calls for growth of 4.3% in 2020 (5.8% nationwide) driven by strong growth in transfer payments as a result of the federal CARES Act, which more than offset the decline in wages.

Wisconsin received \$5.1 billion in Economic Impact Payments (CARES rebates), \$3.0 billion in additional UI benefits, and \$9.9 billion in PPP loans. As the fiscal stimulus fades, personal income is forecasted to decline 1.9% in Wisconsin and 1.4% in the U.S. during 2021.

**Personal Income Growth**



Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

In 2019, wage income grew 3.5% in Wisconsin and 4.7% in the US. The forecast expects wage and salary income to fall in 2020. After bottoming in mid-2020, wages in 2021 will annually growth above 4.0% in Wisconsin and in the US.

The employment loss in the COVID-19 recession was led by the services sector, although the initial shock reached all sectors of the economy by the end of April. The recovery has also been more difficult for the service sectors. This includes a recent setback in October, as the advent of winter worsens the scenario especially for the northern parts of the U.S.

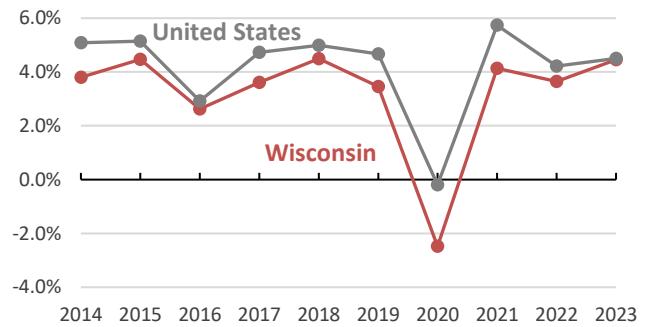
Wisconsin private employment dropped 16% from February to April and was still 8% below its February level during the month of October. In the same period, employment in the Leisure and Hospitality Services sector plunged 57% and is still 27% below its February level. The other two sectors showing a significant slower recovery are Educational Services and Administrative and Support and Waste Management and Remediation Services, which are still 19% and 13% below their February level, respectively.

The goods producing sectors fared better, with employment only declining about half as much as the private sector. October Manufacturing employment was 4% below its February level and Construction employment was just 1% below its February level. Both sectors benefited from a steady level of consumption from middle- and high-income households that were able to work from home without losing

their regular stream of income and even receiving some boost from the federal rebates issued in May. Low interest rates also fueled spending in construction and remodeling.

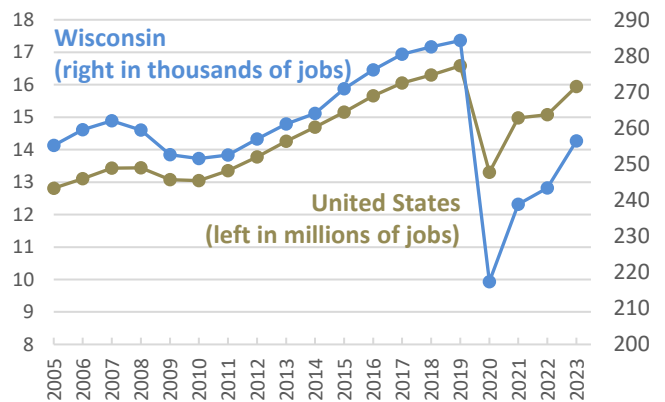
The Wisconsin unemployment rate reached a peak of 14.1% in April, compared with 14.7% nationwide. Both rates have declined [rapidly] to 5.7% in Wisconsin and 6.9% nationwide in October. Unemployment benefits initial claims have also declined from their peak in April but remained at more than three times their February levels, showing that some sectors of the economy are still losing jobs.

**Wages and Salaries Growth**



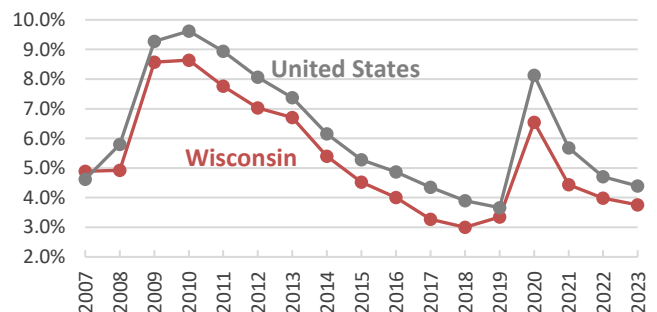
Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

**Leisure and Hospitality Services**



Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

**Unemployment Rate**



Sources: Bureau of Labor Statistics (LAUS) and Wisconsin DOR (forecast).

**Employment (Annual)****Table 1. Wisconsin CES Employment Forecast: Industry Detail**  
(Thousands of jobs)

	History				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Total Nonfarm	2,927.0	2,948.5	2,975.7	2,980.7	2,791.3	2,903.9	2,965.5	3,007.9
% Change	1.2	0.7	0.9	0.2	-6.4	4.0	2.1	1.4
Private Nonfarm	2,515.2	2,541.2	2,567.4	2,574.7	2,410.5	2,513.6	2,567.9	2,602.7
% Change	1.3	1.0	1.0	0.3	-6.4	4.3	2.2	1.4
Natural Resources & Mining	3.8	4.3	4.7	4.2	3.8	3.7	3.9	4.1
% Change	-10.0	15.8	8.8	-10.9	-11.0	-0.7	4.0	5.3
Construction	112.7	117.5	122.4	124.1	123.5	120.3	120.3	120.6
% Change	3.0	4.3	4.2	1.4	-0.5	-2.7	0.1	0.2
Manufacturing	467.6	470.5	479.7	484.1	464.4	472.3	475.2	482.6
% Change	-0.5	0.6	2.0	0.9	-4.1	1.7	0.6	1.5
Trade, Transportation & Utilities	536.6	539.2	540.0	534.0	515.6	547.0	556.1	550.4
% Change	1.5	0.5	0.1	-1.1	-3.4	6.1	1.7	-1.0
Information	49.1	47.9	47.2	47.0	42.0	45.8	47.7	47.1
% Change	0.3	-2.4	-1.4	-0.6	-10.6	9.2	4.1	-1.4
Financial Activities	151.9	152.9	153.0	154.4	153.5	155.7	158.2	160.5
% Change	0.5	0.6	0.1	0.9	-0.6	1.5	1.6	1.5
Professional & Business Services	322.4	326.0	328.4	326.6	307.0	324.5	343.6	353.0
% Change	2.3	1.1	0.8	-0.6	-6.0	5.7	5.9	2.7
Education & Health Services	445.2	451.2	457.4	463.9	446.6	462.8	469.7	475.8
% Change	2.0	1.4	1.4	1.4	-3.7	3.6	1.5	1.3
Leisure & Hospitality	276.1	280.4	282.5	284.2	217.4	238.9	243.3	256.4
% Change	1.9	1.6	0.7	0.6	-23.5	9.9	1.9	5.4
Other Services	149.8	151.4	152.2	152.3	136.8	142.6	149.9	152.3
% Change	1.2	1.0	0.5	0.1	-10.2	4.3	5.1	1.6
Government	411.8	407.3	408.3	406.0	380.8	390.2	397.7	405.2
% Change	0.6	-1.1	0.2	-0.6	-6.2	2.5	1.9	1.9
Federal Government	29.0	29.0	29.1	29.3	30.8	29.8	29.8	29.8
% Change	0.8	0.0	0.4	0.7	4.9	-3.2	0.1	-0.1
State & Local Government	382.8	378.3	379.2	376.7	350.1	360.5	367.9	375.4
% Change	0.6	-1.2	0.2	-0.7	-7.1	3.0	2.1	2.1

**Table 2. Wisconsin Household Survey Employment Measures**

	History				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Labor Force	3,123.9	3,133.4	3,118.3	3,104.9	3,080.5	3,113.4	3,163.0	3,188.0
% Change	1.0	0.3	-0.5	-0.4	-0.8	1.1	1.6	0.8
Employment	2,998.7	3,030.9	3,024.6	3,001.2	2,875.9	2,958.3	3,030.4	3,071.9
% Change	1.6	1.1	-0.2	-0.8	-4.2	2.9	2.4	1.4
Unemployment Rate (%)	4.0	3.3	3.0	3.4	6.6	5.0	4.2	3.6

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

## Employment (Quarterly)

**Table 3. Wisconsin CES Employment Forecast: Industry Detail**  
(Thousands of jobs, seasonally adjusted data, annual rate of change)

	History				Forecast			
	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3
Total Nonfarm	2,978.1	2,984.9	2,599.6	2,753.4	2,827.4	2,878.3	2,901.5	2,910.1
% Change	0.1	0.9	-42.5	25.8	11.2	7.4	3.3	1.2
Private Nonfarm	2,571.9	2,578.4	2,243.9	2,374.5	2,445.2	2,490.8	2,512.2	2,519.0
% Change	0.1	1.0	-42.6	25.4	12.4	7.7	3.5	1.1
Natural Resources & Mining	4.1	4.1	3.7	3.6	3.7	3.7	3.7	3.7
% Change	-3.2	0.0	-36.0	-10.5	10.3	2.9	3.7	0.6
Construction	124.1	127.1	118.7	122.9	125.5	119.8	120.5	120.1
% Change	-1.0	9.9	-23.9	14.9	8.8	-17.0	2.5	-1.4
Manufacturing	482.6	483.1	449.3	457.8	467.4	471.8	474.3	470.1
% Change	-0.8	0.4	-25.2	7.8	8.7	3.8	2.2	-3.5
Trade, Transportation & Utilities	530.0	532.5	488.3	514.1	527.5	539.8	547.9	546.7
% Change	-2.3	1.9	-29.3	22.9	10.8	9.6	6.2	-0.9
Information	46.7	46.3	39.9	39.8	41.9	44.3	46.5	45.9
% Change	-3.1	-3.4	-45.0	-1.0	23.4	24.8	21.8	-5.0
Financial Activities	154.9	155.5	151.3	152.1	155.0	155.7	155.7	155.4
% Change	1.5	1.7	-10.5	2.2	8.0	1.6	0.1	-0.8
Professional & Business Services	326.7	326.4	290.1	299.5	312.2	323.7	326.7	322.2
% Change	2.6	-0.4	-37.5	13.5	18.1	15.6	3.8	-5.4
Education & Health Services	467.0	469.4	423.0	442.6	451.2	459.6	459.0	469.4
% Change	2.3	2.1	-34.1	19.9	8.0	7.6	-0.5	9.4
Leisure & Hospitality	284.3	282.9	156.2	209.2	221.3	230.3	235.1	244.1
% Change	1.6	-2.0	-90.7	222.0	25.1	17.4	8.6	16.1
Other Services	151.6	151.1	123.5	133.0	139.4	142.2	142.7	141.3
% Change	-2.5	-1.1	-55.4	34.4	20.8	8.3	1.4	-3.9
Government	406.2	406.5	355.7	378.9	382.3	387.5	389.3	391.1
% Change	0.1	0.3	-41.4	28.8	3.6	5.6	1.9	1.9
Federal Government	29.4	29.6	29.7	32.9	30.8	29.8	29.8	29.8
% Change	-1.8	2.8	2.3	49.3	-22.5	-12.7	-0.4	-0.4
State & Local Government	376.8	376.9	325.9	346.0	351.4	357.7	359.5	361.4
% Change	0.3	0.1	-44.1	27.0	6.4	7.4	2.1	2.1

**Table 4. Wisconsin Household Survey Employment Measures**

	History				Forecast			
	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3
Labor Force	3,108.2	3,102.7	3,087.2	3,072.8	3,058.4	3,107.8	3,126.7	3,133.2
% Change	0.4	-0.7	-2.0	-1.8	-1.9	6.6	2.5	0.8
Employment	3,000.6	2,997.7	2,727.6	2,880.3	2,900.5	2,950.4	2,971.1	2,978.2
% Change	0.3	-0.4	-31.5	24.3	2.8	7.1	2.8	1.0
Unemployment Rate (%)	3.5	3.4	11.6	6.3	5.2	5.1	5.0	4.9

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

## Employment (Quarterly)

Table 3b. Wisconsin CES Employment Forecast: Industry Detail

(Thousands of jobs, year-over-year change)

	History				Forecast			
	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3
Total Nonfarm	2,978.1	2,984.9	2,599.6	2,753.4	2,827.4	2,878.3	2,901.5	2,910.1
% Change	-0.1	0.1	-12.9	-7.5	-5.1	-3.6	11.6	5.7
Private Nonfarm	2,571.9	2,578.4	2,243.9	2,374.5	2,445.2	2,490.8	2,512.2	2,519.0
% Change	0.0	0.0	-12.9	-7.7	-4.9	-3.4	12.0	6.1
Natural Resources & Mining	4.1	4.1	3.7	3.6	3.7	3.7	3.7	3.7
% Change	-10.2	-7.5	-12.0	-13.7	-10.8	-10.2	1.3	4.3
Construction	124.1	127.1	118.7	122.9	125.5	119.8	120.5	120.1
% Change	0.8	2.6	-4.4	-1.2	1.1	-5.7	1.6	-2.3
Manufacturing	482.6	483.1	449.3	457.8	467.4	471.8	474.3	470.1
% Change	-0.3	-0.5	-7.3	-5.3	-3.1	-2.3	5.6	2.7
Trade, Transportation & Utilities	530.0	532.5	488.3	514.1	527.5	539.8	547.9	546.7
% Change	-1.5	-0.9	-8.8	-3.6	-0.5	1.4	12.2	6.3
Information	46.7	46.3	39.9	39.8	41.9	44.3	46.5	45.9
% Change	-1.1	-1.6	-15.1	-15.5	-10.3	-4.3	16.7	15.5
Financial Activities	154.9	155.5	151.3	152.1	155.0	155.7	155.7	155.4
% Change	0.8	1.0	-2.0	-1.4	0.1	0.1	2.9	2.1
Professional & Business Services	326.7	326.4	290.1	299.5	312.2	323.7	326.7	322.2
% Change	0.0	-0.4	-11.4	-7.8	-4.4	-0.8	12.6	7.6
Education & Health Services	467.0	469.4	423.0	442.6	451.2	459.6	459.0	469.4
% Change	1.6	1.8	-8.6	-4.7	-3.4	-2.1	8.5	6.1
Leisure & Hospitality	284.3	282.9	156.2	209.2	221.3	230.3	235.1	244.1
% Change	0.1	-0.5	-45.2	-26.1	-22.2	-18.6	50.5	16.6
Other Services	151.6	151.1	123.5	133.0	139.4	142.2	142.7	141.3
% Change	-0.6	-0.9	-19.1	-12.8	-8.0	-5.9	15.5	6.2
Government	406.2	406.5	355.7	378.9	382.3	387.5	389.3	391.1
% Change	-0.5	0.4	-12.5	-6.7	-5.9	-4.7	9.5	3.2
Federal Government	29.4	29.6	29.7	32.9	30.8	29.8	29.8	29.8
% Change	0.3	1.3	1.7	11.4	5.0	0.8	0.2	-9.5
State & Local Government	376.8	376.9	325.9	346.0	351.4	357.7	359.5	361.4
% Change	-0.5	0.3	-13.7	-8.1	-6.7	-5.1	10.3	4.4

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3
Labor Force	3,108.2	3,102.7	3,087.2	3,072.8	3,058.4	3,107.8	3,126.7	3,133.2
% Change	0.0	-0.7	-2.0	-1.8	-1.9	6.6	2.5	0.8
Employment	3,000.6	2,997.7	2,727.6	2,880.3	2,900.5	2,950.4	2,971.1	2,978.2
% Change	-0.5	-0.4	-31.5	24.3	2.8	7.1	2.8	1.0
Unemployment Rate (%)	3.5	3.4	11.6	6.3	5.2	5.1	5.0	4.9

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

## Wisconsin Personal Income (Annual)

Table 5. Wisconsin Personal Income by Major Source

(\$ Billions)

	History				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Total Personal Income	274.8	285.2	299.8	309.9	323.1	316.9	326.2	339.7
% Change	1.8	3.8	5.1	3.4	4.3	-1.9	3.0	4.2
Wages and Salaries	138.7	143.8	150.2	155.4	151.6	157.8	163.6	170.9
% Change	2.6	3.6	4.5	3.5	-2.5	4.1	3.6	4.5
Supplements to Wages and Salaries	36.0	37.2	39.5	40.7	39.8	41.0	42.4	44.2
% Change	0.5	3.2	6.1	3.0	-2.1	2.8	3.5	4.4
Proprietor's Income	18.8	19.1	19.4	21.1	21.4	20.4	21.4	22.8
% Change	-5.1	1.5	1.7	8.4	1.5	-4.4	4.4	6.8
Property Income	53.0	55.6	59.3	59.7	59.0	58.4	58.9	60.4
% Change	3.7	5.0	6.5	0.8	-1.2	-1.1	1.0	2.5
Personal Interest Income <sup>^</sup>	22.0	23.0	25.2	23.9	23.3	22.6	21.7	21.4
% Change	1.5	4.6	9.7	-5.1	-2.5	-3.2	-3.9	-1.6
Personal Dividend Income <sup>^</sup>	19.6	20.8	22.5	23.3	22.8	22.4	23.0	23.9
% Change	3.5	5.8	8.4	3.4	-1.8	-1.7	2.3	3.9
Rental Income <sup>^</sup>	11.3	11.4	12.1	12.6	12.8	13.3	14.3	15.2
% Change	6.7	1.5	5.3	4.2	2.1	4.0	6.9	6.6
Personal Current Transfer Receipts	46.7	48.9	51.5	53.9	72.1	60.8	62.2	64.7
% Change	1.2	4.6	5.3	4.6	33.9	-15.7	2.4	3.9
Residence Adjustment	3.7	3.9	3.9	4.1	4.0	4.1	4.1	4.2
% Change	2.5	4.7	1.0	4.1	-1.8	1.8	1.1	1.8
Contributions to Govt. Social Ins.	22.3	23.3	24.0	25.0	24.8	25.6	26.4	27.5
% Change	1.9	4.3	3.2	4.0	-0.7	3.4	3.1	4.1

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Real Personal Income (2012 \$ Billions)*	286.1	292.2	302.6	307.0	314.9	302.9	304.9	311.7
% Change	1.6	2.3	2.8	1.4	3.1	-3.8	0.7	2.2
Population (Millions)	5.77	5.79	5.81	5.82	5.84	5.85	5.87	5.88
% Change	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Real Per Capita Income (2012 \$)*	49,553	50,473	52,111	52,725	53,937	51,756	51,970	52,995
% Change	1.4	2.1	3.2	1.2	2.9	-4.0	0.4	2.0
Per Capita Income (\$)	47,598	49,264	51,628	53,227	55,343	54,083	55,562	57,741
% Change	1.6	3.5	4.8	3.1	4.0	-2.3	2.7	3.9
Personal Tax & Nontax Payments* (\$ Billions)	32.6	32.4	32.9	34.6	34.6	35.9	37.2	38.7
% Change	3.9	-0.7	1.8	5.1	-0.1	3.9	3.5	4.2
Disposable Personal Income* (\$ Billions)	242.2	252.9	266.9	275.3	288.6	281.0	289.0	301.0
% Change	1.5	4.4	5.5	3.2	4.8	-2.6	2.9	4.2
GDP (\$ Billions)	313.4	320.6	337.6	349.4	339.4	353.2	366.5	380.3
% Change	2.3	2.3	5.3	3.5	-2.9	4.1	3.8	3.8
Real GDP (chained 2012 \$ Billions)	291.3	294.2	303.8	308.0	296.3	303.7	309.6	315.5
% Change	1.1	1.0	3.3	1.4	-3.8	2.5	2.0	1.9

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

\*2019 values are forecasted

## Wisconsin Personal Income (Quarterly)

**Table 7. Wisconsin Personal Income by Major Source**  
(\$ Billions, seasonally adjusted, annual rate of change)

	History				Forecast			
	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2
Total Personal Income	310.1	312.7	314.0	335.5	324.6	318.4	314.6	316.1
% Change	0.9	3.5	1.6	30.4	-12.5	-7.4	-4.7	2.0
Wages and Salaries	154.8	156.8	156.6	144.8	150.4	154.5	156.3	157.2
% Change	-1.4	5.2	-0.5	-27.0	16.4	11.5	4.6	2.5
Supplements to Wages and Salaries	40.6	41.0	40.6	38.1	40.0	40.6	40.6	40.8
% Change	-1.8	4.7	-4.2	-22.1	20.9	5.7	0.4	2.2
Proprietor's Income	21.5	21.8	21.8	19.9	23.1	20.8	20.6	20.7
% Change	19.9	5.1	0.6	-30.9	81.1	-34.1	-2.8	0.4
Property Income	59.8	59.9	60.2	59.1	58.4	58.3	58.3	58.3
% Change	0.2	1.2	1.6	-7.1	-4.3	-0.8	0.1	0.1
Personal Current Transfer Receipts	54.2	54.3	55.9	93.7	73.5	65.3	60.1	60.5
% Change	2.4	0.8	12.5	687.5	-62.1	-37.5	-28.3	2.4
Residence Adjustment	4.1	4.1	4.2	3.9	4.0	4.1	4.1	4.1
% Change	5.4	0.6	4.2	-21.6	3.4	9.7	4.9	3.7
Contributions to Government Social Ins.	24.9	25.2	25.2	23.9	24.8	25.2	25.5	25.6
% Change	-0.9	4.8	0.6	-19.1	15.2	6.2	4.9	1.3

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

## General Purposes Revenues

**Table 8. General Purposes Revenues. Fiscal Year-to-Date Through October FY 2021**  
(\$ Millions)

	Prior Year	Actual	Percent Change	Expected Revenues	\$ Difference
Individual Income Tax	2,605.1	2,638.4	1.3%	2,330.7	41.9
General Sales Tax	1,535.9	1,546.0	0.7%	1,520.6	25.4
Corporate Franchise Tax	405.5	606.8	49.6%	547.8	58.9
Other Revenues	279.5	296.8	6.2%	270.0	26.8
<b>Total GPR</b>	<b>4,825.9</b>	<b>5,088.0</b>	<b>5.4%</b>	<b>4,935.0</b>	<b>153.0</b>

Source: Wisconsin Department of Revenue

\*Expected values from the Department of Revenue's November 2020 forecast.

- Individual income tax payments were adjusted for withholding payments which were due the end of October but received on the first working day of November because of the weekend.
- Corporate tax revenues, aided by additional payments from the extended due date of estimated payments in July, continue to show strong growth.
- Total GPR in this table includes insurance premium taxes, collected by the Office of the Commissioner of Insurance.