

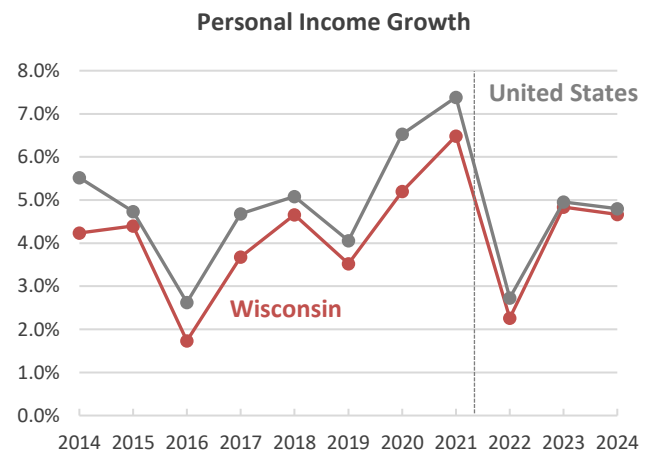
WISCONSIN ECONOMIC FORECAST UPDATE: MAY 2022

- The U.S. economy contracted 1.5% in the first quarter of 2022, following strong growth of 5.7% in 2021, the fastest rate since 1984.
- The solid growth of 2021 was largely a result of unprecedented support from fiscal and monetary policy and of the recovery of the services industries, severely impacted by the pandemic and lockdown periods of 2020 and 2021.
- Current elevated inflation has prompted the Fed to raise its policy rate by 50 basis points in May and has signaled that further rate hikes are coming. The tightening financial conditions compelled IHS Markit to mark down their forecast. IHS Markit now expects real GDP growth of 2.4% in 2022 and 2023.
- U.S. real personal income is expected to decline 2.7% in 2022, being the first decline since 2009. High inflation and a decline in personal transfer income (stimulus payments) are the drivers of the decline.
- Inflation continues to be the largest downside risk to the economic outlook. IHS Markit increased their projection of CPI inflation for 2022 to 6.8% from 4.5% in February. Their inflation forecast has increased in each of the past thirteen months. IHS Markit expects inflation to retreat to 2% in 2024.
- Wisconsin employment grew 2.1% in 2021, adding almost 60,000 jobs. Through April, Wisconsin employment is 67,000 jobs or 2.2% below its level of January 2020. U.S. total employment through April was 0.8 million jobs or 0.5% below its level of February 2020.
- Wisconsin employment is expected to expand 2.3% in 2022 and 1.1% in 2023. The forecast expects employment to reach the pre-pandemic level by late 2023.
- Wisconsin personal income growth will slow to 2.3% in 2022. Wages and salaries are forecasted to grow 8.2%, but personal transfer income will decline more than 10% given that no more federal stimulus payments are expected.

The May national forecast shows the U.S. economy growing at a slower pace for the 2022-2025 period due to tightening financial conditions aimed at curbing rising inflation. IHS Markit revised down their forecast for real GDP growth in 2022 from 3.0% to 2.4%, reflecting the incorporation of the Q1 contraction of GDP and the May decision by the Fed to raise the policy rate by 50 basis points. The national forecast calls for U.S. real GDP growth of 2.4% in 2023 and 2.3% in 2024. The forecast expects U.S. personal income to grow 2.7% and personal consumption 8.8%. After adjusting for inflation, real personal income will decline 2.8% and real consumption will increase 2.9% in 2022. The labor market is still very tight, pushing for wage growth of 9.4% in 2022, following growth of 9.3% in 2021, as the economy keeps adding jobs lost during the pandemic. The U.S. is expected to keep adding jobs and reach the pre-pandemic level of employment by the third quarter of 2022.

The first annual release of state personal income estimates from the Bureau of Economic Analysis (BEA) shows that Wisconsin personal income grew 6.5% in 2021, compared to 7.4% nationwide and 6.7% in the Great Lakes. Other states' growth rates range from 4.5% in Vermont to 9.6% in Idaho. In

all cases, the main driver of personal income growth in 2021 was personal earnings including wages.

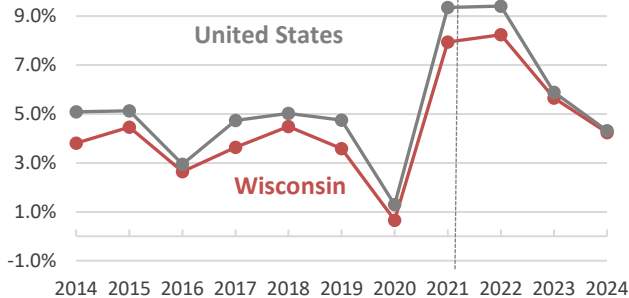


Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

The forecast expects Wisconsin personal income to grow 2.3% in 2022 and 4.8% in 2023, compared to 2.7% and 5.0% nationwide. Personal transfer payments and wages were the largest driver of personal income growth in 2021. Tight labor markets and inflation will keep wage growth strong in 2022. However, personal transfers will be a large drag to personal income growth this year. After adjusting for the increase in prices, Wisconsin real personal income is forecasted to

decline 3.3% in 2022 and increase 2.2% in 2023. Disposable personal income grew 5.9% in 2020 and the forecast shows growth of 5.8% in 2021 and 1.2% in 2022.

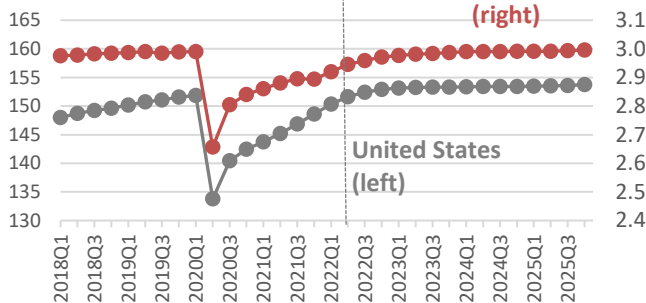
Wages and Salaries Growth



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

In 2021, wages and salaries grew 7.9% in Wisconsin versus 9.3% nationwide. The forecast expects 2022 wage and salary income to post growth of 8.2% in Wisconsin and 9.4% nationwide. However, inflation is biting into those wage gains, leaving workers with real wage income growth in the range of 2% to 3%.

Total Employment (in millions of jobs)



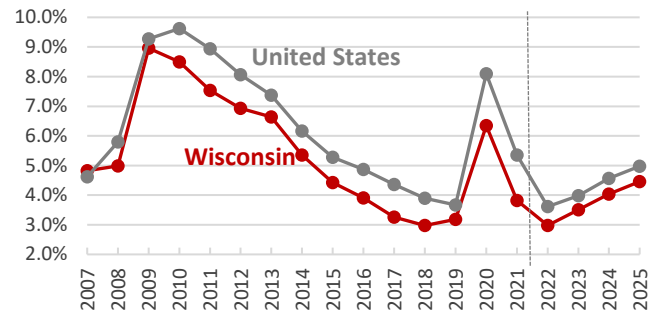
Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

The recently revised CES (Current Employment Statistic) jobs data from BLS show that total employment grew 2.1% in Wisconsin and 2.8% nationwide during the recovery of 2021. In the first four months of 2022, Wisconsin employment grew 2.0% year-over-year, compared to 4.6% nationwide. The forecast expects total Wisconsin employment to grow 2.3% in 2022 and 1.1% in 2023, reaching its pre-pandemic levels of employment by the third quarter of 2023.

While U.S. and Wisconsin employment levels are still below their pre-recession peaks, the unemployment rate is already back at pre-recession levels. Wisconsin unemployment rate in April hit a record low of 2.8%, lower than the 3.6% U.S.

unemployment rate.

Unemployment Rate

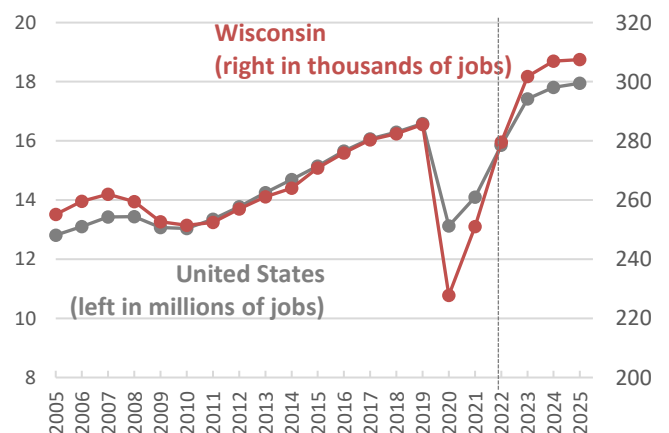


Sources: Bureau of Labor Statistics (LAUS) and Wisconsin DOR (forecast)

The services sector continues its strong recovery into 2022. Employment in the leisure and hospitality sector dropped 20.8% in 2020, grew 10.2% in 2021 and is expected to grow 11.3% this year. The trade, transportation, and utility sector recovered its pre-recession employment level in the third quarter of 2021 in Wisconsin and nationwide. The recovery in the education and health services sector is slow and the sector has not yet recovered its pre-recession level.

The goods producing sector fared better during the decline and the recovery. Wisconsin manufacturing employment grew 1.6% in 2021 and is expected to grow 2.8% this year reaching its pre-recession level by mid-2022. Growth in manufacturing employment was led by the non-durable sector. Construction employment as of April 2022 had reached its pre-recession level after growing 2.0% in 2021. The forecast expects jobs growth in this sector to moderate to 1.4% in 2022 and to decline 0.1% in 2023 as the housing sector cools off largely due to higher mortgage rates.

Employment in Leisure and Hospitality



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

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

(Thousands of jobs)

	History				Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025
Total Nonfarm	2,980.3	2,987.8	2,823.3	2,882.5	2,948.8	2,982.1	2,990.4	2,992.9
% Change	1.0	0.3	-5.5	2.1	2.3	1.1	0.3	0.1
Private Nonfarm	2,567.2	2,578.1	2,435.7	2,492.1	2,551.0	2,575.3	2,581.1	2,582.2
% Change	1.0	0.4	-5.5	2.3	2.4	1.0	0.2	0.0
Natural Resources & Mining	4.7	4.2	3.5	3.5	3.9	4.4	4.7	4.9
% Change	9.0	-11.3	-15.7	-1.2	12.1	11.2	6.7	4.3
Construction	122.4	124.5	124.2	126.6	128.4	128.3	128.7	129.1
% Change	4.2	1.7	-0.3	2.0	1.4	-0.1	0.3	0.3
Manufacturing	479.6	483.5	458.9	466.3	479.6	480.8	483.7	483.6
% Change	1.9	0.8	-5.1	1.6	2.8	0.3	0.6	0.0
Trade, Transportation & Utilities	540.1	535.5	520.2	533.2	542.4	536.7	525.3	519.0
% Change	0.2	-0.9	-2.9	2.5	1.7	-1.1	-2.1	-1.2
Information	47.2	47.1	44.9	44.9	46.2	46.1	46.2	46.9
% Change	-1.4	-0.3	-4.6	0.0	2.8	-0.1	0.2	1.4
Financial Activities	153.0	154.5	153.1	154.3	154.7	154.7	155.5	155.8
% Change	0.0	1.0	-0.9	0.8	0.3	0.0	0.5	0.2
Professional & Business Services	328.3	326.6	309.8	316.4	322.6	327.3	327.4	328.8
% Change	0.7	-0.5	-5.2	2.2	2.0	1.5	0.0	0.4
Education & Health Services	457.3	464.1	450.6	452.8	450.2	451.1	456.9	459.1
% Change	1.3	1.5	-2.9	0.5	-0.6	0.2	1.3	0.5
Leisure & Hospitality	282.4	285.5	227.8	251.1	279.5	301.6	306.8	307.3
% Change	0.7	1.1	-20.2	10.2	11.3	7.9	1.7	0.2
Other Services	152.2	152.7	142.8	142.9	143.5	144.2	146.0	147.6
% Change	0.6	0.3	-6.4	0.0	0.4	0.5	1.2	1.2
Government	413.2	409.7	387.6	390.4	397.8	406.8	409.3	410.8
% Change	0.5	-0.8	-5.4	0.7	1.9	2.3	0.6	0.4
Federal Government	29.1	29.3	30.8	29.9	29.5	29.3	29.3	29.4
% Change	0.3	0.7	5.1	-2.9	-1.5	-0.5	0.0	0.1
State & Local Government	384.0	380.4	356.8	360.5	368.4	377.5	379.9	381.4
% Change	0.5	-1.0	-6.2	1.0	2.2	2.5	0.7	0.4

Table 2. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025
Labor Force	3,129.0	3,120.7	3,105.1	3,134.7	3,150.3	3,184.1	3,205.5	3,217.6
% Change	-0.4	-0.3	-0.5	1.0	0.5	1.1	0.7	0.4
Employment	3,035.6	3,021.4	2,908.2	3,015.0	3,056.7	3,072.5	3,076.2	3,074.2
% Change	-0.1	-0.5	-3.8	3.7	1.4	0.5	0.1	-0.1
Unemployment Rate (%)	3.0	3.2	6.3	3.8	3.0	3.5	4.0	4.5

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			
	2021:2	2021:3	2021:4	2022:1	2022:2	2022:3	2022:4	2023:1
Total Nonfarm	2,880.4	2,895.0	2,894.5	2,919.5	2,945.3	2,959.4	2,971.0	2,977.2
% Change	2.9	2.0	-0.1	3.5	3.6	1.9	1.6	0.8
Private Nonfarm	2,489.7	2,501.6	2,504.8	2,528.5	2,549.2	2,558.6	2,567.5	2,572.1
% Change	2.8	1.9	0.5	3.8	3.3	1.5	1.4	0.7
Natural Resources & Mining	3.4	3.4	3.6	3.7	3.9	4.0	4.1	4.2
% Change	-10.8	0.0	16.5	11.7	28.4	9.3	12.0	11.4
Construction	127.0	126.3	129.0	130.1	127.3	127.1	127.6	127.6
% Change	9.2	-2.4	8.9	3.4	-8.2	-0.5	1.5	-0.1
Manufacturing	463.7	467.3	471.6	476.1	478.6	481.7	482.2	480.1
% Change	0.9	3.1	3.8	3.9	2.1	2.6	0.5	-1.8
Trade, Transportation & Utilities	534.0	535.0	529.7	537.1	544.5	547.2	540.3	538.3
% Change	-0.1	0.8	-3.9	5.7	5.6	2.0	-5.0	-1.5
Information	44.9	45.1	44.9	46.0	46.4	45.9	46.3	46.4
% Change	1.5	1.2	-1.5	10.5	3.0	-4.4	3.8	1.0
Financial Activities	154.7	154.6	153.4	154.5	154.6	154.9	155.1	155.2
% Change	0.0	-0.3	-3.0	2.8	0.3	0.7	0.7	0.2
Professional & Business Services	317.5	316.5	315.1	320.0	321.0	323.5	326.5	329.5
% Change	1.1	-1.3	-1.8	6.5	1.2	3.2	3.7	3.7
Education & Health Services	455.7	454.3	447.2	444.9	452.7	452.0	451.5	451.2
% Change	1.4	-1.2	-6.1	-2.1	7.3	-0.7	-0.4	-0.2
Leisure & Hospitality	246.3	255.4	267.1	273.9	276.3	278.6	289.6	295.0
% Change	19.9	15.6	19.7	10.5	3.6	3.3	16.7	7.6
Other Services	142.4	143.7	143.2	142.2	143.8	143.8	144.3	144.6
% Change	0.8	3.7	-1.4	-2.7	4.4	0.1	1.4	1.0
Government	390.7	393.4	389.7	391.0	396.1	400.8	403.5	405.1
% Change	3.0	2.8	-3.7	1.3	5.3	4.8	2.8	1.6
Federal Government	30.0	30.0	29.6	29.6	29.5	29.4	29.3	29.4
% Change	0.4	-0.4	-4.8	0.0	-1.6	-1.5	-0.9	0.8
State & Local Government	360.7	363.4	360.1	361.4	366.6	371.4	374.2	375.7
% Change	3.2	3.0	-3.6	1.5	5.9	5.3	3.0	1.7

Table 4. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2021:2	2021:3	2021:4	2022:1	2022:2	2022:3	2022:4	2023:1
Labor Force	3,139.3	3,137.8	3,134.9	3,140.5	3,145.1	3,151.3	3,164.5	3,173.3
% Change	1.6	-0.2	-0.4	0.7	0.6	0.8	1.7	1.1
Employment	3,009.4	3,024.9	3,037.3	3,049.7	3,055.0	3,056.9	3,065.1	3,069.5
% Change	2.8	2.1	1.7	1.6	0.7	0.2	1.1	0.6
Unemployment Rate (%)	4.1	3.6	3.1	2.9	2.9	3.0	3.1	3.3

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			
	2021:2	2021:3	2021:4	2022:1	2022:2	2022:3	2022:4	2023:1
Total Nonfarm	2,880.4	2,895.0	2,894.5	2,919.5	2,945.3	2,959.4	2,971.0	2,977.20
% Change	8.4	3.2	1.9	2.1	2.3	2.2	2.6	2.0
Private Nonfarm	2,489.7	2,501.6	2,504.8	2,528.5	2,549.2	2,558.6	2,567.5	2,572.1
% Change	8.8	3.3	2.0	2.3	2.4	2.3	2.5	1.7
Natural Resources & Mining	3.4	3.4	3.6	3.7	3.9	4.0	4.1	4.2
% Change	-1.0	3.0	2.9	3.8	13.7	16.2	15.1	15.0
Construction	127.0	126.3	129.0	130.1	127.3	127.1	127.6	127.6
% Change	5.3	2.6	2.6	4.7	0.2	0.7	-1.1	-1.9
Manufacturing	463.7	467.3	471.6	476.1	478.6	481.7	482.2	480.1
% Change	4.2	3.3	2.7	2.9	3.2	3.1	2.3	0.8
Trade, Transportation & Utilities	534.0	535.0	529.7	537.1	544.5	547.2	540.3	538.3
% Change	8.3	2.4	-0.1	0.6	2.0	2.3	2.0	0.2
Information	44.9	45.1	44.9	46.0	46.4	45.9	46.3	46.4
% Change	2.3	1.7	1.5	2.8	3.2	1.8	3.1	0.8
Financial Activities	154.7	154.6	153.4	154.5	154.6	154.9	155.1	155.2
% Change	2.3	1.3	0.0	-0.1	-0.1	0.2	1.1	0.5
Professional & Business Services	317.5	316.5	315.1	320.0	321.0	323.5	326.5	329.5
% Change	7.6	3.2	0.5	1.1	1.1	2.2	3.6	3.0
Education & Health Services	455.7	454.3	447.2	444.9	452.7	452.0	451.5	451.2
% Change	5.3	1.2	-1.0	-2.0	-0.6	-0.5	1.0	1.4
Leisure & Hospitality	246.3	255.4	267.1	273.9	276.3	278.6	289.6	295.0
% Change	43.5	14.1	16.1	16.4	12.2	9.1	8.4	7.7
Other Services	142.4	143.7	143.2	142.2	143.8	143.8	144.3	144.6
% Change	7.7	0.7	0.0	0.1	1.0	0.1	0.8	1.7
Government	390.7	393.4	389.7	391.0	396.1	400.8	403.5	405.1
% Change	6.2	2.4	1.1	0.8	1.4	1.9	3.5	3.6
Federal Government	30.0	30.0	29.6	29.6	29.5	29.4	29.3	29.4
% Change	0.1	-9.1	-2.8	-1.2	-1.7	-2.0	-1.0	-0.8
State & Local Government	360.7	363.4	360.1	361.4	366.6	371.4	374.2	375.7
% Change	6.8	3.4	1.4	1.0	1.6	2.2	3.9	4.0

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2021:2	2021:3	2021:4	2022:1	2022:2	2022:3	2022:4	2023:1
Labor Force	3,139.3	3,137.8	3,134.9	3,140.5	3,145.1	3,151.3	3,164.5	3,173.3
% Change	1.4	1.0	0.6	0.4	0.2	0.4	0.9	1.1
Employment	3,009.4	3,024.9	3,037.3	3,049.7	3,055.0	3,056.9	3,065.1	3,069.5
% Change	9.3	4.1	2.4	2.0	1.5	1.1	0.9	0.7
Unemployment Rate (%)	4.1	3.6	3.1	2.9	2.9	3.0	3.1	3.3

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			
	2018	2019	2020	2021	2022	2023	2024	2025
Total Personal Income	297.7	308.2	324.3	345.3	353.1	370.2	387.4	403.7
% Change	4.7	3.5	5.2	6.5	2.3	4.8	4.7	4.2
Wages and Salaries	150.3	155.7	156.7	169.1	183.1	193.4	201.6	209.1
% Change	4.5	3.6	0.7	7.9	8.2	5.7	4.2	3.7
Supplements to Wages and Salaries	39.6	40.6	40.4	42.5	44.5	46.8	48.6	50.4
% Change	6.3	2.7	-0.6	5.1	4.8	5.0	4.0	3.6
Proprietor's Income	19.3	20.0	22.2	23.5	24.1	24.8	25.9	26.8
% Change	1.0	3.3	11.2	6.0	2.5	2.8	4.2	3.6
Property Income	56.8	58.6	58.1	58.6	61.1	65.0	69.2	72.9
% Change	4.1	3.1	-0.8	0.8	4.4	6.4	6.4	5.4
Personal Interest Income	23.5	23.8	23.3	23.5	24.9	28.0	31.3	33.7
% Change	2.3	1.4	-2.1	1.1	5.6	12.8	11.6	7.7
Personal Dividend Income	22.2	23.7	23.4	23.5	24.2	25.2	26.5	27.8
% Change	6.5	6.6	-1.2	0.1	3.1	4.3	5.1	4.8
Rental Income	11.1	11.1	11.4	11.6	12.1	11.8	11.4	11.5
% Change	3.6	-0.2	2.9	1.6	4.4	-2.7	-3.1	0.7
Personal Current Transfer Receipts	51.9	54.4	68.8	75.3	65.8	67.0	70.0	73.3
% Change	5.6	4.8	26.5	9.4	-12.5	1.7	4.5	4.8
Residence Adjustment	4.0	4.1	3.9	4.1	4.3	4.4	4.5	4.5
% Change	1.0	2.9	-5.1	6.8	3.2	2.8	2.2	1.7
Contributions to Govt. Social Ins.	24.1	25.0	25.8	27.8	29.8	31.2	32.3	33.4
% Change	3.3	4.0	3.0	7.8	7.4	4.6	3.5	3.3

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025
Real Personal Income (2012 \$ Billions)	292.6	297.3	313.8	320.6	310.2	316.8	325.9	333.0
% Change	1.5	1.6	5.5	2.2	-3.3	2.2	2.8	2.2
Population (Millions)	5.86	5.88	5.89	5.90	5.91	5.92	5.94	5.96
% Change	0.4	0.4	0.2	0.1	0.2	0.2	0.3	0.3
Per Capita Income (\$)	50,818	52,417	55,030	58,543	59,735	62,487	65,235	67,758
% Change	4.3	3.1	5.0	6.4	2.0	4.6	4.4	3.9
Personal Tax & Nontax Payments (\$ Billions)	32.6	35.1	35.1	39.4	43.0	43.2	42.1	43.4
% Change	0.7	7.4	0.1	12.3	9.0	0.6	-2.7	3.2
Disposable Personal Income (\$ Billions)	265.1	273.2	289.2	305.9	309.5	326.6	345.0	359.9
% Change	5.2	3.1	5.9	5.8	1.2	5.5	5.6	4.3
GDP (\$ Billions)	332.3	344.7	337.7	365.9	396.2	416.1	434.1	450.5
% Change	4.4	3.8	-2.0	8.4	8.3	5.0	4.3	3.8
Real GDP (chained 2012 \$ Billions)	299.4	303.9	291.7	302.8	308.9	314.7	320.6	326.3
% Change	2.4	1.5	-4.0	3.8	2.0	1.9	1.9	1.8

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

Wisconsin Personal Income (Quarterly)

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

	History				Forecast			
	2021:1	2021:2	2021:3	2021:4	2022:1	2022:2	2022:3	2022:4
Total Personal Income	361.3	336.9	339.8	343.1	346.4	351.0	355.0	360.0
% Change	51.3	-24.4	3.4	4.0	3.9	5.5	4.6	5.8
Wages and Salaries	162.9	166.2	171.9	175.4	178.5	181.8	184.5	187.4
% Change	0.3	8.4	14.4	8.4	7.3	7.4	6.2	6.6
Supplements to Wages and Salaries	41.7	42.1	42.9	43.2	43.7	44.2	44.8	45.4
% Change	1.1	3.2	7.7	3.2	4.6	5.0	5.1	5.8
Proprietor's Income	22.2	24.4	23.9	23.6	23.6	24.2	24.3	24.5
% Change	-33.8	45.9	-8.4	-5.6	-0.3	10.9	1.6	4.0
Property Income	57.8	58.3	58.7	59.5	60.4	60.7	61.3	62.2
% Change	-1.5	3.4	2.9	5.7	6.2	2.0	3.7	6.0
Personal Current Transfer Receipts	99.6	69.1	66.5	65.8	65.2	65.6	66.0	66.6
% Change	593.8	-76.8	-14.6	-3.7	-4	2.5	2.7	3.5
Residence Adjustment	4.0	4.2	4.1	4.2	4.2	4.2	4.3	4.3
% Change	7.4	16.0	-3.5	9.8	1.0	2.2	0.7	4.0
Contributions to Government Social Ins.	27.0	27.4	28.1	28.6	29.2	29.7	30.1	30.4
% Change	5.9	5.8	11.9	6.7	8.2	6.7	6.0	4.3

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

General Purposes Revenues

Table 8. General Purposes Revenues, Fiscal Year-to-Date Through April FY 2022
(\$ Millions)

	Prior Year	Actual	Annual Change	Expected Revenues	\$ Difference
Individual Income Tax	6,956.55	7,416.44	6.6%	6,519.9	896.5
General Sales Tax	4,583.92	5,068.71	10.6%	5,082.1	- 13.4
Corporate Franchise Tax	2,065.19	2,341.15	13.4%	1,793.0	548.1
Other Revenues	957.90	971.30	1.4%	946.3	25.0
Total GPR	14,563.55	15,797.59	8.5%	14,341.3	1,456.3

Source: Wisconsin Department of Revenue

Expected Revenues are based on the Legislative Fiscal Bureau's January 2022 forecast for FY2022.

- While corporate tax revenues continue to come in above forecast, individual income taxes are now the largest source of revenues above forecast due to lower than expected refunds and higher withholding, estimated, and extension payments.
- Total GPR in this table includes insurance premium taxes, collected by the Office of the Commissioner of Insurance.