

WISCONSIN ECONOMIC FORECAST – NOVEMBER 2023

- In November, S&P Global revised down its forecast of real GDP growth after five months of upward revisions. The forecast expects growth of 2.4% in 2023 and 1.4% in 2024.
- Employment growth is still strong and is expected to continue until mid-2024. Nevertheless, GDP growth is predicted to fall below trend in 2024, bringing the US unemployment rate to a peak of 4.7% by mid-2025.
- Headline inflation has fallen convincingly below core inflation, following declines in prices of energy and agricultural commodities. The core PCE (personal consumption expenditures) price index is trending down, but it is still above the Federal Reserve's 2% target.

Strong growth in 2023 suggests that tight labor markets will persist into 2024. The forecast expects a period of slow growth starting by mid-2024 that will bring down inflation to the Fed's desired range. In October, US payrolls grew by 150,000, below the monthly average gain of 257,000 over the first half of 2023. The trend in payroll gains has been steadily declining since late 2021 and is expected to continue pushing the unemployment rate upwards until it peaks at 4.7% in mid-2025.

The forecast risks are still tilted to the downside. S&P Global assigned a 55% likelihood to the slow-growth baseline scenario and 30% to the pessimistic recession scenario, now including a shallow recession. In this pessimistic scenario, GDP declines in the first half of 2024 and remains subdued relative to the base through 2025.

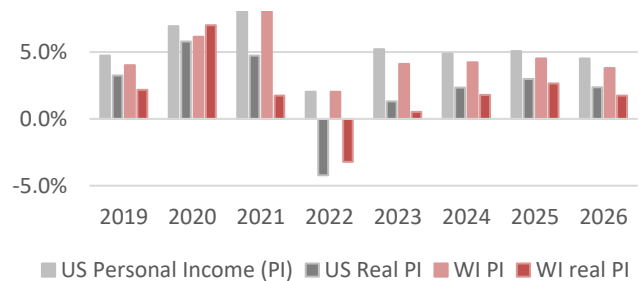
US nominal personal income grew 2.0% in 2022, but inflation transformed that growth into a decline of 4.2% in real personal income. The expected 5.2% growth in personal income for 2023 will translate into mild growth of 1.3% after adjusting for inflation. S&P Global expects core PCE inflation to slow from 5.2% in 2022 to 4.2% in 2023 and further to 2.8% in 2024, reaching 2.2% in 2025.

Wisconsin personal income grew at an annual rate of 3.3% in the second quarter of 2023, compared to 4.3% nationwide and 4.1% in the Great Lakes region. A large drop of farm earnings was the main culprit for the lower Wisconsin growth in the first quarter of 2023. The September release revised personal income up and wages and salaries down in 2022 for

- Recent financial conditions loosened following the Fed's Statement of no change to the rate in November.
- Wisconsin employment is expected to grow 1.4% in 2023, 0.4% in 2024 and then stay almost flat through 2026. The Wisconsin unemployment rate is expected to rise to a peak of 4.1% by mid-2025.
- Wisconsin personal income increased 2.0% in 2022 (revised down from 2.5%), with 7.6% growth in wages and salaries. The forecast anticipates nominal personal income growth of 4.1% in 2023 and 4.2% in 2024. High inflation rates resulted in a *decline* of 3.2% in real personal income in 2022, with expected growth of 0.5% in 2023.

Wisconsin and the US. Revisions to 2021 were upward for wages and personal income at both the state and national levels.

Real Personal Income Declined in 2022, Trickle Up in 2023 and Will Return to Moderate Growth in 2024

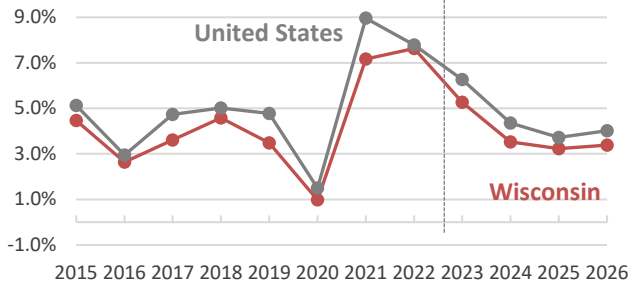


Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

The forecast anticipates Wisconsin nominal personal income to grow by 4.1% in 2023 and 4.2% in 2024. After adjusting for inflation, Wisconsin real personal income is projected to increase 0.5% in 2023 and 1.8% in 2024 as inflation moderates.

Wages and salaries are expected to increase 5.3% in Wisconsin and 6.3% in the US in 2023, following downwardly revised growth of 7.6% (WI) and 7.8% (US) in 2022. The outlook for 2024 anticipates another year of positive, albeit slower, wage growth in Wisconsin (3.5%) and nationwide (4.3%). Transfer payments as a share of total personal income are approaching pre-pandemic levels, around 17-18%, after peaking at 27% in early 2021, both in Wisconsin and the US.

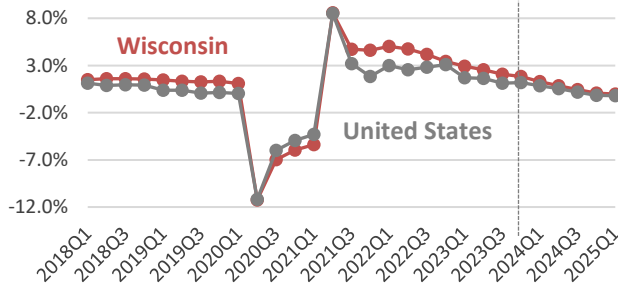
Wages and Salaries Growth



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

The current employment statistics (CES) jobs data show Wisconsin employment grew 1.4% in the first ten months of 2023, compared to a nationwide growth of 2.4%. As the chart below shows, employment growth has been steadily slowing since 2022 and is expected to continue this trajectory, helping to bring the inflation rate back down close to the goal of 2%.

Total Employment Growth (year-over-year)



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

The outlook projects total nonfarm Wisconsin employment to grow 1.4% in 2023, 0.4% in 2024, and to remain flat in 2025 and 2026. The national forecast indicates US employment will grow by 2.3% in 2023, followed by 0.7% growth in 2024 with no further growth in 2025.

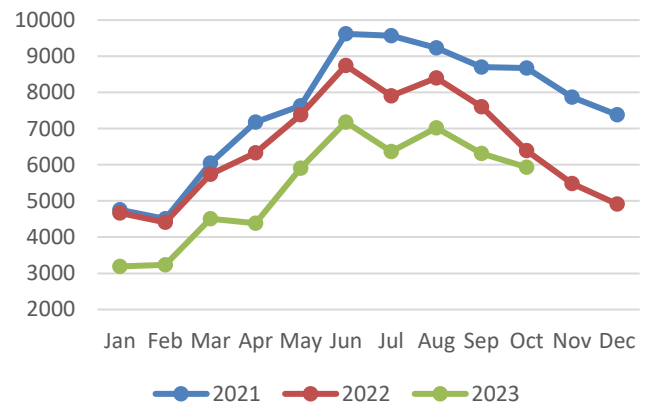
Manufacturing held the position as Wisconsin's largest employment sector until 2002 when it was surpassed by trade, transportation, and utilities. Despite a significant setback during the 2008 recession, manufacturing maintained its second-place position. After a substantial drop in 2020, manufacturing jobs almost reached pre-pandemic levels in early 2023 but have been on a declining trend since. The forecast predicts a continued decline in manufacturing jobs, resulting in the health and education services sector

becoming the second-largest employment sector in Wisconsin, while manufacturing takes the third position in 2024.

Current data reveal that six Wisconsin employment sectors reached their pre-pandemic level (the same as in July), while the other four sectors had not yet recovered its previous peaks. The household survey indicated the Wisconsin unemployment rate was 3.2% in October, up from a bottom of 2.4% in May. Despite this increase, the rate remains low by historical standards and is below the nationwide rate of 3.9%.

The Federal Reserve started to adjust the federal funds rates in March 2022 and completed eleven rate hikes to date, bringing the federal funds rate to a range of 5.25% to 5.50% as of July. The November forecast assumes one more rate increase and a reversal in mid-2024. Higher mortgages rates and prices had severely impacted home ownership affordability and led to some puzzling housing statistics. Builder sentiment has plummeted, yet single-family permits advanced for eight months. Existing home sales are crashing, but house prices have reached record highs as inventory hits record lows. Meanwhile, new home sales are on the rise because builders are cutting prices to reduce inventory.

Wisconsin Existing Home Sales



Sources: Wisconsin Realtors Association

The chart above displays the number of existing home sales in Wisconsin, as published by the Wisconsin Realtors Association (WRA). The number of homes sold through October 2023 were 20% below the sales recorded in the same period of 2022. Prices continued to grow at a slightly slower pace in the first ten months of 2023, increasing by 7.8% compared to the growth of 9.6% observed in 2022.

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

	History				Forecast			
	2019	2020	2021	2022	2023	2024	2025	2026
Total Nonfarm	2,988.1	2,822.9	2,882.5	2,965.0	3,006.8	3,017.4	3,016.2	3,023.4
% Change	0.2	-5.5	2.1	2.9	1.4	0.4	0.0	0.2
Private Nonfarm	2,578.1	2,435.6	2,492.1	2,568.9	2,604.4	2,612.0	2,609.0	2,615.0
% Change	0.4	-5.5	2.3	3.1	1.4	0.3	-0.1	0.2
Natural Resources & Mining	4.2	3.5	3.5	3.7	3.8	3.9	4.1	4.3
% Change	-11.2	-15.5	-1.2	5.5	3.7	2.8	3.6	5.6
Construction	124.5	124.1	126.6	131.3	135.0	137.1	137.6	138.6
% Change	1.7	-0.3	2.0	3.7	2.8	1.6	0.4	0.7
Manufacturing	483.4	459.1	466.3	481.2	482.4	477.1	459.6	451.6
% Change	0.8	-5.0	1.6	3.2	0.3	-1.1	-3.7	-1.7
Trade, Transportation & Utilities	535.4	520.3	533.2	549.8	554.3	547.3	549.4	556.9
% Change	-0.9	-2.8	2.5	3.1	0.8	-1.3	0.4	1.4
Information	47.1	45.0	44.9	46.3	44.6	44.6	45.3	44.8
% Change	-0.3	-4.4	-0.1	3.2	-3.8	0.1	1.6	-1.1
Financial Activities	154.4	153.1	154.3	158.8	160.3	159.5	161.0	161.5
% Change	0.9	-0.9	0.8	2.9	1.0	-0.5	1.0	0.3
Professional & Business Services	326.9	309.5	316.4	327.8	327.5	329.1	331.9	333.3
% Change	-0.5	-5.3	2.2	3.6	-0.1	0.5	0.8	0.4
Education & Health Services	464.0	450.6	452.8	457.5	470.8	481.5	484.6	484.4
% Change	1.5	-2.9	0.5	1.0	2.9	2.3	0.6	0.0
Leisure & Hospitality	285.6	227.5	251.1	266.7	275.8	281.7	283.9	286.6
% Change	1.1	-20.3	10.4	6.2	3.4	2.1	0.8	0.9
Other Services	152.7	142.8	142.9	145.8	149.8	150.2	151.6	153.0
% Change	0.3	-6.4	0.0	2.1	2.7	0.2	1.0	0.9
Government	410.0	387.3	390.4	396.1	402.4	405.4	407.3	408.4
% Change	-0.9	-5.5	0.8	1.5	1.6	0.8	0.5	0.3
Federal Government	29.3	30.8	29.9	29.5	30.5	30.7	30.7	30.7
% Change	0.7	5.1	-2.9	-1.4	3.3	0.7	0.1	0.0
State & Local Government	380.7	356.5	360.5	366.6	371.9	374.7	376.5	377.7
% Change	-1.0	-6.4	1.1	1.7	1.5	0.8	0.5	0.3

Table 2. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2019	2020	2021	2022	2023	2024	2025	2026
Labor Force	3,111.8	3,093.9	3,100.9	3,082.5	3,112.0	3,154.2	3,162.5	3,166.6
% Change	-0.4	-0.6	0.2	-0.6	1.0	1.4	0.3	0.1
Employment	3,012.8	2,896.5	2,981.8	2,992.1	3,026.0	3,041.6	3,036.3	3,039.3
% Change	-0.6	-3.9	2.9	0.4	1.1	0.5	-0.2	0.1
Unemployment Rate (%)	3.2	6.4	3.8	2.9	2.8	3.7	4.1	4.0

Source: Bureau of Labor Statistics

Employment (Quarterly)

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

	History				Forecast			
	2022:4	2023:1	2023:2	2023:3	2023:4	2024:1	2024:2	2024:3
Total Nonfarm	2,984.3	2,995.6	3,001.5	3,010.5	3,019.5	3,021.1	3,017.9	3,016.1
% Change	1.0	1.5	0.8	1.2	1.2	0.2	-0.4	-0.2
Private Nonfarm	2,584.9	2,594.2	2,598.7	2,607.9	2,616.7	2,616.6	2,612.8	2,610.3
% Change	1.0	1.5	0.7	1.4	1.4	0.0	-0.6	-0.4
Natural Resources & Mining	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9
% Change	7.4	3.6	0.0	0.0	8.4	2.7	0.8	1.3
Construction	133.0	133.3	134.6	135.4	136.6	137.0	137.1	137.0
% Change	3.4	0.9	4.1	2.4	3.5	1.1	0.4	-0.4
Manufacturing	484.3	485.3	483.0	480.5	481.0	481.9	480.3	476.1
% Change	1.1	0.8	-1.9	-2.1	0.5	0.7	-1.3	-3.4
Trade, Transportation & Utilities	551.9	553.9	556.2	553.2	554.1	550.5	547.3	546.2
% Change	0.6	1.5	1.7	-2.2	0.7	-2.5	-2.3	-0.8
Information	47.0	45.6	44.7	43.6	44.4	44.6	44.6	44.5
% Change	2.9	-11.1	-7.9	-9.2	7.4	2.2	-0.3	-1.1
Financial Activities	159.7	160.5	160.9	161.2	158.8	158.9	159.3	159.6
% Change	1.7	2.0	1.2	0.6	-5.8	0.4	0.9	0.7
Professional & Business Services	326.7	325.0	326.8	328.7	329.3	328.2	328.7	328.7
% Change	-3.9	-2.0	2.2	2.4	0.8	-1.4	0.6	0.0
Education & Health Services	461.8	466.2	466.1	474.1	476.8	480.2	480.0	482.3
% Change	1.7	3.9	-0.1	7.0	2.3	2.9	-0.2	2.0
Leisure & Hospitality	270.0	271.9	272.4	276.7	282.2	281.3	282.0	281.7
% Change	4.1	2.8	0.8	6.4	8.2	-1.2	0.9	-0.4
Other Services	146.9	148.8	150.1	150.8	149.6	149.9	149.7	150.4
% Change	1.7	5.4	3.6	1.7	-3.0	0.9	-0.7	2.0
Government	399.4	401.3	402.8	402.6	402.8	404.5	405.1	405.8
% Change	1.1	1.9	1.5	-0.2	0.2	1.6	0.6	0.7
Federal Government	29.5	30.0	30.4	30.7	30.7	30.7	30.6	30.7
% Change	1.4	7.0	5.4	4.5	-0.2	-0.6	-0.3	0.3
State & Local Government	369.9	371.3	372.4	371.9	372.1	373.8	374.4	375.1
% Change	1.1	1.5	1.2	-0.6	0.3	1.8	0.7	0.7

Table 4. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2022:4	2023:1	2023:2	2023:3	2023:4	2024:1	2024:2	2024:3
Labor Force	3,068.4	3,070.7	3,099.4	3,132.2	3,145.5	3,150.8	3,153.1	3,155.7
% Change	-1.1	0.3	3.8	4.3	1.7	0.7	0.3	0.3
Employment	2,975.8	2,988.2	3,025.1	3,043.1	3,047.8	3,047.4	3,042.5	3,039.6
% Change	-0.9	1.7	5.0	2.4	0.6	-0.1	-0.6	-0.4
Unemployment Rate (%)	3.0	2.7	2.4	2.9	3.3	3.5	3.7	3.8

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			
	2022:4	2023:1	2023:2	2023:3	2023:4	2024:1	2024:2	2024:3
Total Nonfarm	2,984.3	2,995.6	3,001.5	3,010.5	3,019.5	3,021.1	3,017.9	3,016.10
% Change	3.1	1.7	1.6	1.1	1.2	0.9	0.6	0.2
Private Nonfarm	2,584.9	2,594.2	2,598.7	2,607.9	2,616.7	2,616.6	2,612.8	2,610.3
% Change	3.2	1.7	1.5	1.1	1.2	0.9	0.5	0.1
Natural Resources & Mining	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9
% Change	5.6	5.6	3.6	2.7	2.9	2.7	2.9	3.3
Construction	133.0	133.3	134.6	135.4	136.6	137.0	137.1	137.0
% Change	3.1	2.6	3.3	2.7	2.7	2.8	1.9	1.2
Manufacturing	484.3	485.3	483.0	480.5	481.0	481.9	480.3	476.1
% Change	2.7	1.7	0.6	-0.5	-0.7	-0.7	-0.6	-0.9
Trade, Transportation & Utilities	551.9	553.9	556.2	553.2	554.1	550.5	547.3	546.2
% Change	4.2	1.3	1.2	0.4	0.4	-0.6	-1.6	-1.3
Information	47.0	45.6	44.7	43.6	44.4	44.6	44.6	44.5
% Change	4.6	-0.1	-3.1	-6.5	-5.5	-2.2	-0.2	2.0
Financial Activities	159.7	160.5	160.9	161.2	158.8	158.9	159.3	159.6
% Change	4.1	1.7	1.5	1.4	-0.6	-1.0	-1.0	-1.0
Professional & Business Services	326.7	325.0	326.8	328.7	329.3	328.2	328.7	328.7
% Change	3.7	-0.4	-0.4	-0.4	0.8	1.0	0.6	0.0
Education & Health Services	461.8	466.2	466.1	474.1	476.8	480.2	480.0	482.3
% Change	3.3	2.7	2.6	3.1	3.3	3.0	3.0	1.7
Leisure & Hospitality	270.0	271.9	272.4	276.7	282.2	281.3	282.0	281.7
% Change	1.1	2.6	3.0	3.5	4.5	3.5	3.5	1.8
Other Services	146.9	148.8	150.1	150.8	149.6	149.9	149.7	150.4
% Change	2.6	2.4	3.6	3.1	1.9	0.8	-0.3	-0.2
Government	399.4	401.3	402.8	402.6	402.8	404.5	405.1	405.8
% Change	2.5	2.0	2.5	1.1	0.9	0.8	0.6	0.8
Federal Government	29.5	30.0	30.4	30.7	30.7	30.7	30.6	30.7
% Change	-0.5	1.2	3.3	4.5	4.1	2.2	0.8	-0.2
State & Local Government	369.9	371.3	372.4	371.9	372.1	373.8	374.4	375.1
% Change	2.7	2.1	2.4	0.8	0.6	0.7	0.6	0.9

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2022:4	2023:1	2023:2	2023:3	2023:4	2024:1	2024:2	2024:3
Labor Force	3,068.4	3,070.7	3,099.4	3,132.2	3,145.5	3,150.8	3,153.1	3,155.7
% Change	-0.7	-0.8	0.3	1.8	2.5	2.6	1.7	0.8
Employment	2,975.8	2,988.2	3,025.1	3,043.1	3,047.8	3,047.4	3,042.5	3,039.6
% Change	-0.6	-0.7	0.8	2.0	2.4	2.0	0.6	-0.1
Unemployment Rate (%)	3.0	2.7	2.4	2.9	3.3	3.5	3.7	3.8

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			
	2019	2020	2021	2022	2023	2024	2025	2026
Total Personal Income	307.9	326.8	355.0	362.2	377.2	393.1	410.9	426.5
% Change	4.0	6.1	8.6	2.0	4.1	4.2	4.5	3.8
Wages and Salaries	155.6	157.1	168.4	181.2	190.8	197.5	203.9	210.8
% Change	3.5	1.0	7.2	7.6	5.3	3.5	3.2	3.4
Supplements to Wages and Salaries	40.6	40.0	40.7	42.1	43.6	45.1	46.5	48.0
% Change	2.5	-1.4	1.8	3.4	3.6	3.4	3.0	3.2
Proprietor's Income	19.7	23.0	25.2	25.0	24.5	26.0	27.3	27.9
% Change	6.6	16.8	9.5	-0.8	-1.9	5.8	5.1	2.3
Property Income	58.3	59.2	66.0	70.3	73.4	79.1	85.5	89.9
% Change	4.7	1.6	11.5	6.4	4.3	7.9	8.1	5.1
Personal Interest Income	24.8	24.7	25.1	27.7	29.5	32.8	38.2	41.9
% Change	3.4	-0.5	1.6	10.6	6.4	11.1	16.6	9.6
Personal Dividend Income	25.2	25.5	27.1	29.9	30.0	30.8	31.1	31.2
% Change	13.5	0.9	6.4	10.4	0.2	2.7	0.9	0.4
Rental Income	11.2	11.5	11.2	12.7	13.9	14.6	15.2	15.8
% Change	0.5	3.3	-3.1	13.4	9.7	4.9	4.7	3.6
Personal Current Transfer Receipts	54.6	68.9	77.5	68.4	70.9	72.1	75.1	78.2
% Change	4.9	26.3	12.4	-11.7	3.7	1.7	4.1	4.1
Residence Adjustment	4.2	4.1	4.3	4.6	4.8	5.0	5.1	5.3
% Change	6.7	-2.5	3.6	8.1	4.9	3.1	2.9	3.1
Contributions to Govt. Social Ins.	25.1	25.6	27.0	29.3	30.8	31.7	32.5	33.5
% Change	4.0	2.0	5.7	8.6	4.9	2.9	2.6	3.0

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2019	2020	2021	2022	2023	2024	2025	2026
Real Personal Income (2012 \$ Billions) *	300.0	321.1	326.7	316.2	317.9	323.6	332.1	338.9
% Change	2.2	7.0	1.8	-3.2	0.5	1.8	2.7	2.0
Population (Millions)	5.880	5.896	5.880	5.893	5.910	5.930	5.950	5.970
% Change	0.4	0.3	-0.3	0.2	0.3	0.3	0.3	0.3
Per Capita Income (\$)	52,364	55,431	60,381	61,475	63,796	66,275	69,042	71,430
Change	3.6	5.9	8.9	1.8	3.8	3.9	4.2	3.5
Personal Tax & Nontax Payments (\$ Billions)	35.3	34.5	40.4	45.6	40.9	42.7	44.3	46.4
% Change	8.3	-2.4	17.2	12.9	-10.2	4.3	3.8	4.6
Disposable Personal Income (\$ Billions)	272.6	292.4	314.7	316.7	336.2	350.4	366.5	380.1
% Change	3.5	7.2	7.6	0.6	6.2	4.2	4.6	3.7
GDP (\$ Billions)	347.4	343.8	369.0	396.2	415.3	428.4	440.8	453.2
% Change	3.7	-1.0	7.3	7.4	4.8	3.2	2.9	2.8
Real GDP (chained 2012 \$ Billions)	333.7	323.0	334.5	335.7	342.5	345.9	349.3	354.0
% Change	1.5	-3.2	3.6	0.4	2.0	1.0	1.0	1.4

* 2022 values are forecasted

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			
	2022:3	2022:4	2023:1	2023:2	2023:3	2023:4	2024:1	2024:2
Total Personal Income	366.1	367.1	372.5	375.5	378.6	382.0	386.1	390.8
% Change	7.8	1.1	6.0	3.3	3.3	3.6	4.4	4.9
Wages and Salaries	184.5	184.6	186.8	189.8	192.3	194.2	195.2	196.6
% Change	14.6	0.3	4.7	6.6	5.5	4.0	2.0	3.1
Supplements to Wages and Salaries	42.6	42.8	43.0	43.3	43.8	44.3	44.6	44.9
% Change	9.8	2.2	1.6	3.3	4.5	4.0	3.6	2.6
Proprietor's Income	25.0	24.8	24.4	23.7	24.9	25.1	25.3	25.8
% Change	-3.5	-3.5	-5.0	-11.1	20.7	3.3	2.8	8.3
Property Income	70.5	70.8	72.0	72.6	74.0	74.8	76.4	78.2
% Change	1.2	2.1	6.9	3.3	8.0	4.5	9.0	9.7
Personal Current Transfer Receipts	68.8	69.3	71.8	71.9	69.7	70.0	71.2	71.8
% Change	2.9	2.9	15.7	0.6	-11.7	1.6	6.8	3.8
Residence Adjustment	4.6	4.7	4.7	4.8	4.9	4.9	4.9	5.0
% Change	6.0	0.5	7.4	5.8	4.6	3.5	1.7	2.8
Contributions to Government Social Ins.	29.9	29.9	30.3	30.7	31.0	31.3	31.5	31.6
% Change	13.6	0.1	5.5	5.1	4.4	3.6	2.9	1.6

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

General Purposes Revenues

Table 8. General Purposes Revenues, Fiscal Year-to-Date 2024 through October
(\$ Millions)

	FY2023	FY2024	Annual Change	Expected Revenues	\$ Difference
Individual Income Tax	2,786.6	2,766.0	-0.7%	2,862.4	-96.4
General Sales Tax	1,930.2	1,974.0	2.3%	1,943.6	30.4
Corporate Franchise Tax	670.0	662.9	-1.1%	601.0	61.9
Other Revenues	284.3	265.4	-6.7%	266.1	-0.8
Total GPR	5,671.2	5,668.2	-0.1%	5,673.1	-4.9

Source: Wisconsin Department of Revenue

Expected Revenues are based on 2023 Wisconsin Act 19 (the 2023-2025 Budget)