

WISCONSIN ECONOMIC FORECAST UPDATE: JUNE 2020

AS OF JUNE 22nd, SUBJECT TO ONGOING REVISION

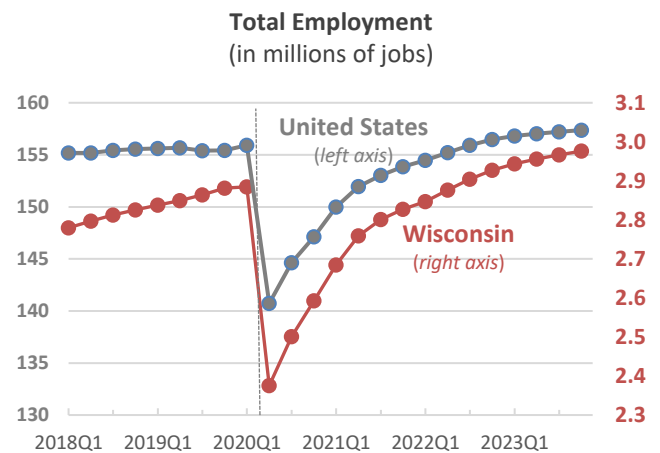
Given the massive uncertainty facing US and global economic conditions, this outlook is reflective of the current data available and is subject to significant revisions, as additional information and national forecasts become available.

- The COVID-19 pandemic has severely disrupted the world, US and Wisconsin economies. The International Monetary Fund (IMF) signaled that their coming June forecast will revise down their April projection of a global economy contraction of 3% in 2020, stating that “For the first time since the Great Depression, both advanced and emerging market economies will be in recession in 2020.”
- The June IHS Markit forecast shows a deeper economic decline in the second quarter of 2020, but a stronger recovery that is already underway.
- Employment has bottomed in April, showing a mild recovery in May in Wisconsin and nationwide. The national and state forecasts moved the trough from the third to the second quarter of 2020.
- Unemployment rates peaked in April. Wisconsin's unemployment rate declined to 12.0% in May, below the US reading of 13.6%.
- Wisconsin employment is expected to decline 7.5% in 2020.
- Wisconsin personal income growth will slow to 2.2% in 2020 and 0.9% in 2021, as the fiscal stimulus fades.

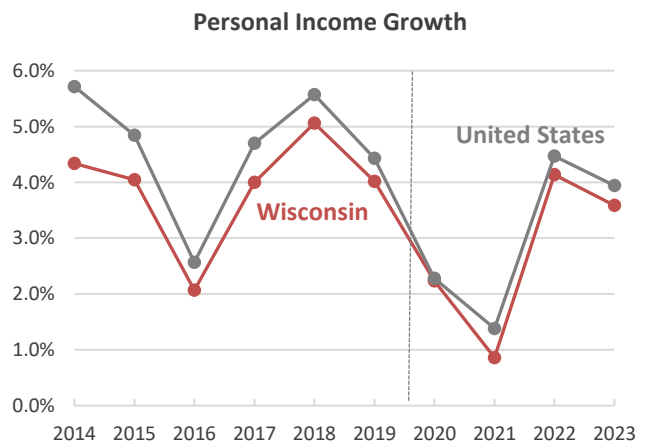
Since our last forecast in May, several economic indicators fared better than expected. In particular, the consensus among national forecasters was for a decline of 8 million jobs in May, while BLS's estimate revealed an increase of 2.5 million jobs. Wisconsin employment also bottomed in April, showing a recovery of 75,000 jobs in May. Labor markets were tight after nine years of sustained growth, collapsed in a matter of weeks, but after declining for just two months, employment was on the rise again in May.

The economic forecast for Wisconsin expects to recover close to a quarter of the jobs lost by the third quarter of 2020, and close to three quarters of the employment loss by the second quarter of 2021. However, Wisconsin and the US will take slightly more than two years to recover the pre-COVID-19 level of employment.

Wisconsin personal income grew 4.0% in 2019, compared to 4.4% nationwide. The forecast calls for growth of 2.2% in 2020 driven by strong growth in transfer payments as a result of the federal CARES Act, which more than offset the decline in wages. As the fiscal stimulus fades, personal income growth slows to 0.9% in 2021. The forecast expects total personal income to decline in the last two quarters of 2020 and to quickly recover afterwards, reaching in the first quarter of 2021 the same level of the first quarter of 2020 in Wisconsin and nationwide.



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



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

Wisconsin real personal income (i.e., after adjusting for inflation), grew 2.7% in 2019 and it will increase 1.7% in 2020 and decline 0.3% in 2021. Prices will increase 0.6% in 2020 and 1.0% in 2021.

Wage income in 2019 grew 3.2% in Wisconsin and 4.6% in the US. The forecast expects wage and salary income to fall 4.2% in Wisconsin and 3.5% nationwide. After bottoming in the second quarter of 2020, wages in 2021 will post annual growth rates of 7.6% in Wisconsin and 7.8% in the US.

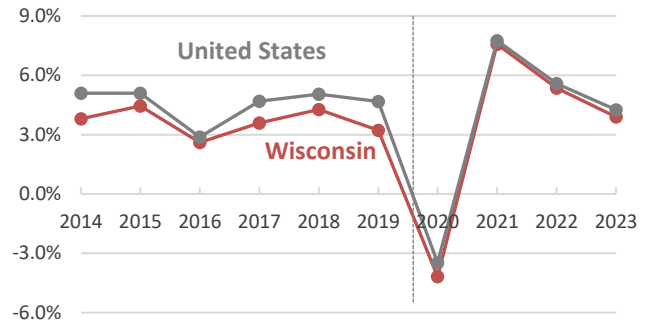
The employment loss in the COVID-19 recession was led by the services sector, but the shock reached almost every other sector of the economy by the end of April. The forecast expects the recovery also to be led by the services sectors, as the economy slowly returns to normal operations. The current decline in employment was astronomical, more than double the decline seen over the last recession. This decline took place in a couple of months, compared to two years of employment losses during the Great Recession.

Wisconsin lost 421,000 jobs in March and April, but the May estimate show jobs gains in almost every sector. The quarterly forecast expects Wisconsin private employment to post a decline of 7.8% in 2020 and growth of 4.8% in 2021. US private employment is also expected to fall in 2020 (-7.4%) and to increase in 2021 (5.3%). The Leisure and Hospitality Services sector was the earliest and hardest hit sector, shedding close to half its total number of jobs in a matter of weeks. As state and local governments relaxed restrictions on social distancing, this sector added some of those jobs in May, accounting for almost 40% of the May private job gain in Wisconsin and the US.

The declines in the Manufacturing and Construction sectors were milder in Wisconsin. Between February and April, Manufacturing employment declined 8.0% in Wisconsin vs. 10.7% in the US. Construction employment also fared better in Wisconsin, where the decline over the same period was 9.0% vs. a decline of 13.9% nationwide.

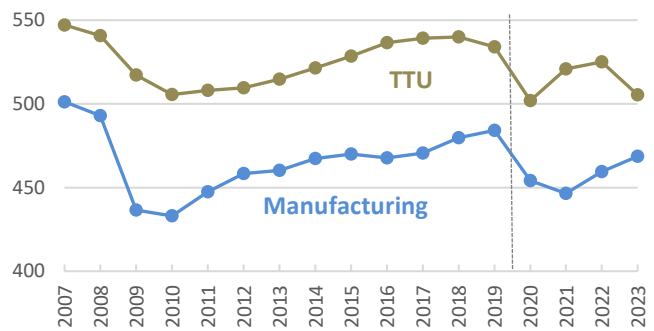
The Wisconsin unemployment rate receded to 12.0% in May from a peak of 13.6% in April. The national unemployment rate was at 13.6% in May, after registering a peak of 14.7% in April. The forecast expects the unemployment rate to be down by the end of the year to 8.6% in Wisconsin and 9.7% nationwide and below 5% by the end of 2022.

Wages and Salaries Growth



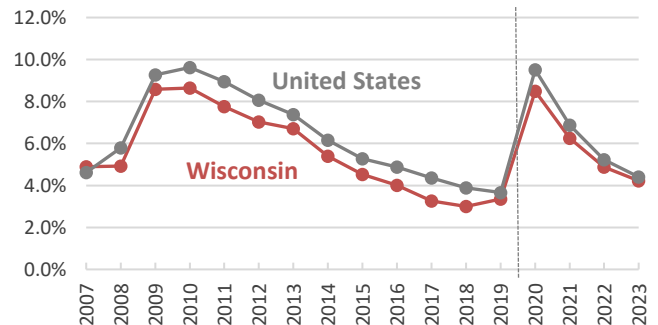
Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

Wisconsin Jobs in the Two Largest Sectors
(in thousands of jobs)



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	2,756.1	2,892.4	2,980.6	3,022.8
% Change	1.2	0.7	0.9	0.2	-7.5	5.0	3.1	1.4
Private Nonfarm	2,515.2	2,541.2	2,567.4	2,574.7	2,375.2	2,489.8	2,569.9	2,608.0
% Change	1.3	1.0	1.0	0.3	-7.8	4.8	3.2	1.5
Natural Resources & Mining	3.8	4.3	4.7	4.2	3.4	3.0	3.3	3.6
% Change	-10.0	15.8	8.8	-10.9	-20.1	-9.7	9.3	7.7
Construction	112.7	117.5	122.4	124.1	120.5	119.1	121.4	123.0
% Change	3.0	4.3	4.2	1.4	-2.9	-1.1	1.9	1.3
Manufacturing	467.6	470.5	479.7	484.1	454.2	446.5	459.4	468.6
% Change	-0.5	0.6	2.0	0.9	-6.2	-1.7	2.9	2.0
Trade, Transportation & Utilities	536.6	539.2	540.0	534.0	501.9	520.9	525.0	505.4
% Change	1.6	0.5	0.2	-1.1	-6.0	3.8	0.8	-3.7
Information	49.1	47.9	47.2	47.0	41.2	42.8	43.5	42.7
% Change	0.3	-2.4	-1.4	-0.6	-12.2	3.8	1.7	-1.9
Financial Activities	151.9	152.9	153.0	154.4	152.3	151.8	155.8	156.8
% Change	0.5	0.6	0.1	0.9	-1.3	-0.4	2.7	0.7
Professional & Business Services	322.4	326.0	328.4	326.6	305.1	321.2	365.9	381.9
% Change	2.3	1.1	0.8	-0.6	-6.6	5.3	13.9	4.4
Education & Health Services	445.2	451.2	457.4	463.9	445.5	474.0	482.9	500.8
% Change	2.0	1.4	1.4	1.4	-4.0	6.4	1.9	3.7
Leisure & Hospitality	276.1	280.4	282.5	284.2	216.7	277.6	276.1	287.5
% Change	1.9	1.6	0.7	0.6	-23.8	28.1	-0.6	4.1
Other Services	149.8	151.4	152.2	152.3	134.4	132.8	136.5	137.7
% Change	1.2	1.0	0.5	0.1	-11.8	-1.2	2.8	0.9
Government	411.8	407.3	408.3	406.0	380.9	402.6	410.7	414.9
% Change	0.6	-1.1	0.2	-0.6	-6.2	5.7	2.0	1.0
Federal Government	29.0	29.0	29.1	29.3	29.7	29.7	29.6	29.5
% Change	0.8	0.0	0.4	0.7	1.4	-0.1	-0.4	-0.4
State & Local Government	382.8	378.3	379.2	376.7	351.2	372.9	381.1	385.4
% Change	0.6	-1.2	0.2	-0.7	-6.8	6.2	2.2	1.1

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	3,011.8	3,089.6	3,145.0	3,171.5
% Change	1.0	0.3	-0.5	-0.4	-3.0	2.6	1.8	0.8
Employment	2,998.7	3,030.9	3,024.6	3,001.2	2,758.2	2,896.6	2,991.5	3,037.7
% Change	1.6	1.1	-0.2	-0.8	-8.1	5.0	3.3	1.5
Unemployment Rate (%)	4.0	3.3	3.0	3.4	8.5	6.3	4.9	4.2

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			
	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1
Total Nonfarm	2,984.4	2,977.4	2,978.1	2,991.2	2,586.1	2,690.0	2,756.9	2,833.1
% Change	0.2	-0.9	0.1	1.8	-44.1	17.1	10.3	11.5
Private Nonfarm	2,577.7	2,571.3	2,571.9	2,584.7	2,229.8	2,312.5	2,373.6	2,435.3
% Change	-0.1	-1.0	0.1	2.0	-44.6	15.7	11.0	10.8
Natural Resources & Mining	4.2	4.1	4.1	4.1	3.3	3.1	2.9	2.9
% Change	-22.0	-3.2	-3.2	3.3	-59.4	-24.5	-16.2	-3.0
Construction	124.1	124.4	124.1	127.2	119.4	117.9	117.3	117.7
% Change	0.8	1.1	-1.0	10.5	-22.4	-4.8	-2.2	1.5
Manufacturing	484.6	483.6	482.6	482.9	453.0	442.0	438.9	440.9
% Change	-0.7	-0.9	-0.8	0.2	-22.6	-9.4	-2.8	1.8
Trade, Transportation & Utilities	535.4	533.1	530.0	532.9	482.9	491.2	500.6	511.5
% Change	-1.5	-1.7	-2.3	2.2	-32.6	7.0	7.9	9.0
Information	47.0	47.1	46.7	46.6	39.9	39.1	39.2	42.1
% Change	-0.8	0.9	-3.1	-0.6	-46.4	-7.3	0.7	32.9
Financial Activities	154.3	154.3	154.9	155.7	151.3	151.5	150.8	150.8
% Change	0.8	-0.1	1.5	2.2	-10.8	0.5	-1.9	0.0
Professional & Business Services	327.3	324.6	326.7	328.3	291.5	298.9	301.5	305.5
% Change	-0.5	-3.2	2.6	2.0	-37.9	10.5	3.5	5.4
Education & Health Services	463.0	464.4	467.0	470.6	421.6	436.5	453.4	469.2
% Change	1.6	1.2	2.3	3.1	-35.6	14.9	16.4	14.6
Leisure & Hospitality	285.1	283.2	284.3	284.7	144.2	200.3	237.5	262.6
% Change	0.9	-2.6	1.6	0.6	-93.4	272.2	97.6	49.6
Other Services	152.7	152.5	151.6	151.5	122.6	131.9	131.5	132.1
% Change	0.5	-0.5	-2.5	-0.1	-57.2	33.9	-1.0	1.8
Government	406.7	406.1	406.2	406.5	356.3	377.6	383.3	397.8
% Change	1.7	-0.6	0.1	0.3	-41.0	26.1	6.2	16.0
Federal Government	29.2	29.5	29.4	29.6	29.8	29.8	29.8	29.7
% Change	0.5	3.7	-1.8	2.8	3.2	-0.1	-0.3	-0.2
State & Local Government	377.5	376.6	376.8	376.9	326.4	347.8	353.5	368.1
% Change	1.8	-1.0	0.3	0.1	-43.8	28.9	6.8	17.5

Table 4. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1
Labor Force	3,101.1	3,105.0	3,108.2	3,115.3	2,932.4	2,982.2	3,017.3	3,058.0
% Change	-0.5	0.5	0.4	0.9	-21.5	7.0	4.8	5.5
Employment	2,998.2	2,998.6	3,000.6	3,001.0	2,581.6	2,692.0	2,758.3	2,836.1
% Change	-1.2	0.1	0.3	0.1	-45.2	18.2	10.2	11.8
Unemployment Rate (%)	3.3	3.4	3.5	3.7	12.0	9.7	8.6	7.3

Source: Bureau of Labor Statistics

Employment (Quarterly)

Table 3b. Wisconsin CES Employment Forecast: Industry Detail
(Thousands of jobs, year-over-year change)

	History				Forecast			
	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1
Total Nonfarm	2,984.4	2,977.4	2,978.1	2,991.2	2,586.1	2,690.0	2,756.9	2,833.1
% Change	0.4	0.0	-0.1	0.3	-13.3	-9.7	-7.4	-5.3
Private Nonfarm	2,577.7	2,571.3	2,571.9	2,584.7	2,229.8	2,312.5	2,373.6	2,435.3
% Change	0.6	0.1	0.0	0.3	-13.5	-10.1	-7.7	-5.8
Natural Resources & Mining	4.2	4.1	4.1	4.1	3.3	3.1	2.9	2.9
% Change	-12.6	-13.3	-10.2	-6.8	-20.8	-25.6	-28.2	-29.3
Construction	124.1	124.4	124.1	127.2	119.4	117.9	117.3	117.7
% Change	1.7	1.3	0.8	2.7	-3.8	-5.2	-5.5	-7.5
Manufacturing	484.6	483.6	482.6	482.9	453.0	442.0	438.9	440.9
% Change	1.4	0.5	-0.3	-0.5	-6.5	-8.6	-9.1	-8.7
Trade, Transportation & Utilities	535.4	533.1	530.0	532.9	482.9	491.2	500.6	511.5
% Change	-0.9	-1.2	-1.5	-0.8	-9.8	-7.9	-5.5	-4.0
Information	47.0	47.1	46.7	46.6	39.9	39.1	39.2	42.1
% Change	-0.5	-0.4	-1.1	-0.9	-15.0	-16.8	-16.0	-9.7
Financial Activities	154.3	154.3	154.9	155.7	151.3	151.5	150.8	150.8
% Change	1.1	0.8	0.8	1.1	-2.0	-1.8	-2.6	-3.2
Professional & Business Services	327.3	324.6	326.7	328.3	291.5	298.9	301.5	305.5
% Change	-0.6	-0.9	0.0	0.2	-10.9	-7.9	-7.7	-7.0
Education & Health Services	463.0	464.4	467.0	470.6	421.6	436.5	453.4	469.2
% Change	1.4	1.4	1.6	2.1	-8.9	-6.0	-2.9	-0.3
Leisure & Hospitality	285.1	283.2	284.3	284.7	144.2	200.3	237.5	262.6
% Change	1.6	0.2	0.1	0.1	-49.4	-29.3	-16.5	-7.8
Other Services	152.7	152.5	151.6	151.5	122.6	131.9	131.5	132.1
% Change	0.5	0.3	-0.6	-0.7	-19.7	-13.5	-13.2	-12.8
Government	406.7	406.1	406.2	406.5	356.3	377.6	383.3	397.8
% Change	-0.4	-0.8	-0.5	0.4	-12.4	-7.0	-5.6	-2.1
Federal Government	29.2	29.5	29.4	29.6	29.8	29.8	29.8	29.7
% Change	0.7	1.3	0.3	1.3	1.9	1.0	1.4	0.6
State & Local Government	377.5	376.6	376.8	376.9	326.4	347.8	353.5	368.1
% Change	-0.5	-0.9	-0.5	0.3	-13.5	-7.6	-6.2	-2.4

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4	2021:1
Labor Force	3,101.1	3,105.0	3,108.2	3,115.3	2,932.4	2,982.2	3,017.3	3,058.0
% Change	-0.7	-0.2	0.0	0.3	-5.4	-4.0	-2.9	-1.8
Employment	2,998.2	2,998.6	3,000.6	3,001.0	2,581.6	2,692.0	2,758.3	2,836.1
% Change	-1.0	-0.7	-0.5	-0.2	-13.9	-10.2	-8.1	-5.5
Unemployment Rate (%)	3.3	3.4	3.5	3.7	12.0	9.7	8.6	7.3

Source: Bureau of Labor Statistics

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	274.5	285.5	299.9	312.0	319.0	321.7	335.0	347.0
% Change	2.1	4.0	5.1	4.0	2.2	0.9	4.1	3.6
Wages and Salaries	138.7	143.7	149.8	154.6	148.2	159.4	167.9	174.5
% Change	2.6	3.6	4.3	3.2	-4.2	7.6	5.4	3.9
Supplements to Wages and Salaries	36.4	38.5	40.1	41.2	39.9	42.9	45.1	46.8
% Change	3.5	5.6	4.2	2.8	-3.2	7.6	5.1	3.7
Proprietor's Income	18.5	19.0	19.0	20.5	17.7	17.6	19.5	21.4
% Change	-5.5	2.9	-0.5	8.3	-13.7	-0.6	10.8	9.8
Property Income	52.9	55.2	59.8	61.2	61.4	60.8	60.9	61.9
% Change	3.3	4.4	8.3	2.5	0.3	-0.9	0.1	1.6
Personal Interest Income [^]	22.0	23.0	25.2	25.5	24.5	23.4	23.0	22.9
% Change	1.5	4.6	9.7	1.3	-4.2	-4.5	-1.6	-0.4
Personal Dividend Income [^]	19.6	20.8	22.5	23.3	24.1	23.9	23.5	23.7
% Change	3.5	5.8	8.4	3.6	3.2	-0.6	-1.6	0.8
Rental Income [^]	11.3	11.4	12.1	12.4	12.9	13.6	14.4	15.3
% Change	6.7	1.5	5.3	2.9	4.0	5.2	6.0	6.1
Personal Current Transfer Receipts	46.6	48.6	51.3	55.0	72.3	63.0	64.6	66.2
% Change	1.1	4.3	5.5	7.1	31.5	-12.8	2.5	2.5
Residence Adjustment	3.8	3.8	4.0	4.1	3.9	4.1	4.3	4.4
% Change	2.9	1.1	4.3	3.6	-5.4	4.8	4.5	3.9
Contributions to Govt. Social Ins.	22.4	23.3	24.0	24.7	24.4	26.1	27.2	28.1
% Change	2.0	4.3	2.8	3.1	-1.4	7.2	4.2	3.3

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2016	2017	2018	2019	2020	2021	2022	2023
Real Personal Income (2012 \$)*	285.1	291.7	299.8	307.9	313.1	312.3	319.7	326.0
% Change	1.6	2.3	2.8	2.7	1.7	-0.3	2.4	2.0
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 \$)*	49,518	50,540	52,182	52,883	53,642	53,366	54,488	55,434
% Change	1.4	2.1	3.2	2.4	1.4	-0.5	2.1	1.7
Per Capita Income	47,553	49,305	51,647	53,583	54,636	54,966	57,100	59,010
% Change	1.9	3.7	4.8	3.7	2.0	0.6	3.9	3.3
Personal Tax & Nontax Payments*	32.6	33.9	34.1	35.9	31.3	33.4	35.6	37.3
% Change	3.9	4.0	0.6	5.5	-12.8	6.4	6.6	4.8
Disposable Personal Income*	241.9	251.6	265.9	276.0	287.6	288.3	299.4	309.8
% Change	1.8	4.0	5.7	3.8	4.2	0.3	3.8	3.4
GDP	313.5	322.0	336.3	347.3	323.7	342.6	361.4	378.0
% Change	2.5	2.7	4.4	3.3	-6.8	5.8	5.5	4.6
Real GDP (chained 2012 \$)	290.8	294.7	301.6	305.9	281.2	293.6	305.3	313.6
% Change	1.2	1.3	2.4	1.4	-8.1	4.4	4.0	2.7

Source: Bureau of Economic Analysis

*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			
	2019:1	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4
Total Personal Income	308.0	312.2	312.7	314.9	316.4	323.2	322.7	313.5
% Change	4.9	5.6	0.6	2.8	1.9	8.8	-0.7	-10.9
Wages and Salaries	153.7	155.2	154.2	155.4	156.2	141.4	145.5	149.6
% Change	7.1	4.0	-2.6	3.2	2.0	-32.9	12.3	11.8
Supplements to Wages and Salaries	40.7	41.4	41.2	41.5	41.8	38.2	39.3	40.3
% Change	1.8	7.0	-2.2	3.3	2.8	-30.7	12.1	10.7
Proprietor's Income	19.8	20.1	21.0	21.2	20.9	16.5	16.6	16.8
% Change	4.4	4.5	20.1	4.7	-5.7	-60.9	1.4	4.7
Property Income	60.5	61.5	61.4	61.5	61.8	61.1	61.0	61.7
% Change	-3.5	6.4	-0.9	1.3	1.9	-4.5	-1.0	4.7
Personal Current Transfer Receipts	53.7	54.8	55.5	55.8	56.6	85.9	80.7	65.9
% Change	13.1	8.6	4.8	2.3	5.5	430.7	-21.9	-55.6
Residence Adjustment	4.1	4.0	4.1	4.2	4.2	3.6	3.8	3.9
% Change	5.8	-2.1	11.5	3.9	2.3	-45.9	24.0	11.0
Contributions to Government Social Ins.	24.6	24.8	24.6	24.8	25.1	23.4	24.2	24.7
% Change	8.8	3.8	-2.8	2.8	5.4	-24.3	13.9	8.0

Source: Bureau of Economic Analysis

General Purposes Revenues

Table 8. General Purposes Revenues. Fiscal Year-to-Date Through May FY 2020
(\$ Billions)

	Prior Year	Actual	Annual Change	Expected Revenues	\$ Difference
Individual Income Tax	\$7,630	\$6,940	-9.0%	\$7,045	(\$105)
General Sales Tax	\$4,625	\$4,724	2.2%	\$4,820	(\$96)
Corporate Franchise Tax	\$1,085	\$1,294	19.3%	\$1,049	\$245
Other Revenues	\$1,179	\$1,179	0.0%	\$1,161	\$18
Total GPR	\$14,519	\$14,137	-2.6%	\$14,075	\$62

Source: Wisconsin Department of Revenue *Expected values from the Legislative Fiscal Bureau's January 2020 forecast

- Tax revenues collected through the end of May generally reflect activity that occurred by the end of April.
- The year-over-year decline in individual income tax payments is largely a result of the shift in the due date of annual and estimated payments from April 15th to July 15th in 2020. Expected revenues in April were lowered as a result of the shift in due dates. However, individual income tax revenues, along with sales tax revenues, are lower than expected.
- Corporate tax revenues, aided by an increase in audit activity, continue to come in above forecast, more than offsetting the negative differences in individual income tax and sales tax revenues.