



NEWS RELEASE

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MMAC Business Outlook Survey: First Quarter, 2021

Jan. 29, 2021

MILWAUKEE – Metro Milwaukee businesses are optimistic about 2021, according to a quarterly Business Outlook Survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). In the aftermath of 2020’s economic woes, 70% of businesses surveyed foresee real sales increases in 2021, while 63% forecast profit gains and 51% expect job growth in the calendar year. Expectations of a full recovery from the pandemic are high, as 88% of metro area business see business operations returning back to normal sometime in 2021.

“While metro Milwaukee business leaders’ expectations for calendar year 2021 don’t match the level of optimism they expressed at this time one year ago, before the pandemic hit, they represent a significant improvement over what we’ve heard from our business community in recent quarters,” said Bret Mayborne, MMAC’s economic research director. “First-quarter expectations remain on the low side but are improving, suggesting the local economy will recover slowly in early 2021 and gather momentum as the year moves forward.”

MMAC conducted the Business Outlook Survey in mid-January. It includes responses from 92 metro Milwaukee firms, representing a wide range of sizes and industries.

Seventy percent of metro area businesses surveyed forecast higher real sales levels in 2021. Sixteen percent of businesses predict 2021 sales declines while 14% see no change. Those seeing sales increases marks an improvement from the 63% predicting 2021 gains three months ago. As

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would be expected, the percentage seeing gains is down from one year ago when 78% of those surveyed saw 2020 sales increases.

By industry, non-manufacturers are more likely to see 2021 sales gains than manufacturers. Seventy-two percent of non-manufacturers see sales increases for the new year, while 13% see decreased sales levels. Conversely, 63% of manufacturers predict sales gains while 25% expect declines. By firm size, 75% of large employers (100 or more employees) see 2021 sales gains vs. 67% among large employers.

Nearly two-thirds of companies surveyed see improved profit levels in 2021. Sixty-three percent of companies expect increases while 22% see profit declines for the year. Fifteen percent expect no change. Those expecting profit growth in 2021 rank below the 75% who forecast 2020 profit gains one year ago.

In terms of capital spending plans, 42% expect no change for the calendar year. Those expecting increases (36%) outnumber those seeing declines (22%) in capital spending. The percentage currently predicting increases is down from the 51% who opened 2020 expecting capital spending gains.

When all numbers are in, the job losses recorded in 2020 will rank as the worst job trend on record. Yet since the massive loss recorded in the March to April period, we have recovered nearly 50% of those jobs lost. Survey results suggest that the employment recovery will continue. Fifty-one percent of all businesses surveyed expect job gains in their local workforces in 2021. A smaller number (15%) see job declines while 34% do not expect a change. Current results rank lower than the 61% of companies that expected employment growth at the start of 2020.

By industry, expectations in the metro area's non-manufacturing sector are stronger than manufacturing expectations. A majority (54%) of non-manufacturers surveyed see job growth in 2021 with those seeing growth outnumbering those expecting declines by over a 4 to 1 margin (54% vs. 12%).

Expectations in the manufacturing sector are less robust. Forty-two percent of manufacturers predict job growth in calendar year 2021 (vs. 54% for non-manufacturers), but manufacturers

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seeing increases still outnumber those expecting declines (42% vs. 25%). One-third of those surveyed see no change in 2021 job levels.

Future wage and salary change is expected to be modest. Thirty-three percent of those surveyed see per person employee wages and salaries unchanged in 2021 while 46% see increases of 5% or less. Conversely only about one in five of those surveyed (21%) expect annual wage and salary increases of 5% or more.

Inflationary pressures remain moderate. Over half of companies surveyed (52%) see inflation falling in the 0% to 2% range for 2021 while 36% expect price increases of 3% to 5%. Only 8% see price gains of 6% or higher. Five percent forecast price level declines (deflation) in 2021.

First Quarter, 2021 Expectations

Quarterly expectations on sales remain tepid but there is quarter-to-quarter improvement in the trend. Forty percent of businesses forecast higher sales in the first quarter vs. the 27% who predicted fourth-quarter gains three months ago. The percentage predicting first-quarter sales declines (34%) while high in historical context mark the first time since the pandemic downturn that less than one-half of those surveyed did not forecast sales declines.

The quarter-to-quarter positive bounce from fourth-quarter survey results was also evident in both profit and employment expectations. In terms of profit expectations, 41% of Milwaukee area businesses see higher profits for the first quarter (vs. year-ago levels), up from the 35% who forecast fourth-quarter 2020 profit gains. Currently 28% predict profit declines while 30% see no change.

Twenty-four percent of all businesses surveyed predict first-quarter 2021 job gains for their local operations (vs. 2020's first quarter), up modestly from the 21% of companies who predicted year-over-year gains in 2020's fourth quarter. Companies are equally likely to expect first-quarter job declines with 24% seeing year-over-year job decreases. The majority of companies surveyed (52%) see no change.

Businesses expecting sales gains in 2021 first quarter (over one year ago) are low relative to calendar year expectations. In each case – sales, profits and employment – companies surveyed

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are less optimistic for 2021's first quarter than they are for the calendar year in total. This suggests an improving growth environment as the year moves forward.

COVID-19 related questions

With the quarter-to-quarter improvement in business expectations evident in this business outlook survey and even stronger calendar year optimism lies hope of getting back to normal within the 2021 calendar year. In fact, fully 88% of metro area business see business operations back to normal sometime in 2021. Sixteen percent have already reached this level while an additional 16% suggest they will reach that level within 2021's first half. But over half of those surveyed see "normal" as happening sometime in 2021's second half. This suggests a slow build early in 2021 to a fuller economic recovery. Only 11% see a more normal business environment beyond 2021.

In regard to operational status and long-term effects of the crisis, 74% of businesses surveyed indicated their business is fully open while 26% said operations are open but limited. In terms of business viability, 53% indicated they were not concerned at all about remaining viable, 36% suggested being somewhat concerned and 11% indicated being very concerned about remaining a viable business.

Survey results indicate that remote work is slowing waning over the course of the pandemic's impact. Presently more companies expect remote work to decrease at their respective firms (38%) in 2021 than increase (12%). In 2020's fourth quarter 12% of business saw decreases in their remote workforce percentage.

Nonetheless remote work remains extensive. Thirty-five percent of businesses surveyed indicated the percentage of their workforce working remotely at greater than 50%. Forty-one percent indicated remote workers representing 1% to 50% of their workforce and 24% had no remote workers in their workforce.

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Statistical table attached.

MMAC's First Quarter 2021 Business Outlook Survey*

	Firms Expecting a:	By Size		By Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Mfg.	
2021 Forecast						
Change in the dollar volume of Sales (net of inflationary effects) expected by 92 Milwaukee area firms for the entire year of 2021 vs. the entire year of 2020:						
	RISE :	75%	67%	63%	72%	70%
	DECLINE :	11%	19%	25%	13%	16%
	NO CHANGE :	14%	14%	13%	15%	14%
Change in dollar volume of Profits expected by 92 Milwaukee area firms for the entire year of 2021 vs. the entire year of 2020:						
	RISE :	61%	64%	58%	65%	63%
	DECLINE :	18%	23%	29%	19%	22%
	NO CHANGE :	21%	13%	13%	16%	15%
Change in the dollar volume of Capital Expenditures expected by 92 Milwaukee area firms for the entire year of 2021 vs. the entire year of 2020:						
	RISE :	46%	31%	33%	37%	36%
	DECLINE :	18%	23%	33%	18%	22%
	NO CHANGE :	36%	45%	33%	46%	42%
Rate of Inflation expected to affect 90 Milwaukee area operations for the entire year of 2021:						
	DEFLATION	4%	5%	4%	5%	5%
	0-2% INFLATION :	56%	51%	35%	58%	52%
	3-5% INFLATION :	33%	38%	39%	35%	36%
	6-9% INFLATION :	7%	8%	22%	3%	8%
	10% or more :	0%	2%	4%	0%	1%
Change in the level of Total Employment expected by 91 Milwaukee area firms for the entire year of 2021 vs. 2020:						
	RISE :	43%	54%	42%	54%	51%
	DECLINE :	21%	13%	25%	12%	15%
	NO CHANGE :	36%	33%	33%	34%	34%
2021 First Quarter (Compared to Previous Quarter)						
Change in dollar volume of Sales (net of inflationary effects) expected by 89 Milwaukee area firms for 1st quarter 2021 vs. 4th quarter 2020:						
	RISE :	50%	44%	58%	42%	46%
	DECLINE :	18%	25%	25%	22%	22%
	NO CHANGE :	32%	31%	17%	37%	31%
2021 First Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of Sales (net of inflationary effects) expected by 91 Milwaukee area firms for the 1st quarter 2021 vs. 1st quarter 2020:						
	RISE :	32%	43%	33%	42%	40%
	DECLINE:	21%	40%	38%	33%	34%
	NO CHANGE :	46%	17%	29%	25%	26%
Change in the dollar volume of Profits expected by 92 Milwaukee firms for the 1st quarter 2021 vs. 1st quarter of 2020:						
	RISE :	36%	44%	38%	43%	41%
	DECLINE :	25%	30%	29%	28%	28%
	NO CHANGE :	39%	27%	33%	29%	30%
Change in the level of Total Employment expected by 92 Milwaukee area firms for the 1st quarter 2021 vs. 1st quarter 2020:						
	RISE :	29%	22%	21%	25%	24%
	DECLINE :	32%	20%	29%	22%	24%
	NO CHANGE :	39%	58%	50%	53%	52%
Change in the per person, employee Wages & Salaries expected in the next 12 months:						
	RISE by 1-5%	64%	38%	54%	43%	46%
	RISE by 5-10%	4%	13%	8%	10%	10%
	RISE by more than 10%	11%	11%	8%	12%	11%
	STAY THE SAME	21%	38%	29%	34%	33%
	DECREASE	0%	2%	0%	1%	1%

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		Firms Expecting a:		By Size		By Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Mfg.			
Additional Questions Related to the COVID-19 Crisis								
When do you expect normal business activity to resume?	We are already back to normal	11%	19%	22%	15%	16%		
	First quarter 2021	0%	8%	9%	4%	5%		
	Second quarter 2021	29%	11%	9%	19%	16%		
	One of 2021's final two quarters	43%	54%	35%	56%	51%		
	Beyond 2021	18%	8%	26%	6%	11%		
What is your concern level regarding remaining a viable business?	Not concerned at all	79%	42%	54%	53%	53%		
	Somewhat concerned	18%	44%	29%	38%	36%		
	Very concerned	4%	14%	17%	9%	11%		
What is the present operational status of your business?	Fully open	81%	71%	79%	73%	74%		
	Open but operations are limited	19%	29%	21%	27%	26%		
	Closed	4%	2%	0%	3%	2%		
For 2021, what do you anticipate regarding the amount of remote work done in your company?	Remote work will increase	18%	9%	4%	15%	12%		
	Remote work will decrease	61%	28%	25%	43%	38%		
	No change in remote work	18%	45%	54%	31%	37%		
	Do not have remote work	4%	17%	17%	12%	13%		
What percentage of your work force is currently remote?	0%	8%	32%	43%	18%	24%		
	1-25%	20%	28%	29%	25%	26%		
	26-50%	32%	7%	24%	11%	15%		
	51-75%	12%	4%	0%	8%	6%		
	76-99%	20%	11%	5%	16%	13%		
	100%	8%	19%	0%	21%	16%		

* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 persons.