



NEWS RELEASE

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MMAC Business Outlook Survey Third Quarter, 2023

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MILWAUKEE – Metro Milwaukee businesses expressed apprehension toward economic growth in 2023’s third quarter, according to the most recent Business Outlook Survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC.) Local businesses reported lower expectations for sales and employment in 2023’s third quarter and identified continuing economic growth as their top concern moving forward.

“Nationally, the economic headwinds of price inflation and higher interest rates have restrained potential future economic growth,” said Bret Mayborne, the MMAC’s economic research director. “This has led locally to an economic trend that has been riding the fence, between continued growth on the one hand versus stagnation on the other. The third-quarter business outlook results reflect this tension.”

Quarterly sales optimism slipped in the third quarter, falling to its lowest level since 2021’s first quarter. Fifty-six percent of surveyed businesses see rising real sales levels for the third quarter (vs. 2022’s third quarter), down from the 60% who forecast second-quarter gains. Currently, 20% see declines in third-quarter sales levels, while 24% expect no change.

Manufacturers surveyed were more confident of improving third-quarter sales levels than non-manufacturers. Sixty-three percent of manufacturers see third-quarter sales gains (vs. 2022’s third quarter), while 51% of non-manufacturers see such increases. By employment size, 61% of small

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MMAC/Business Outlook Survey – Page 2

companies (less than 100 employees) see third-quarter sales gains versus 51% for large companies.

Profit expectations rose modestly. Fifty-one percent of all businesses surveyed see increases in third-quarter profit levels (vs. year-old levels), up from the 49% who predicted second-quarter gains. Twenty-two percent see declines in third-quarter profits, while 28% expect no change.

Job gains in the metro area have been sluggish over 2023's first six months, averaging 0.4% year-over-year. Local job growth has ranged from a 0.3% year-over-year decline in March to June's 1.4% increase.

Survey results suggest that metro area job growth is likely to continue, but expectations are less definitive. Businesses forecasting third-quarter 2023 employment gains (40%) vs. year-ago levels outnumber those expecting job declines (20%) by a two-to-one margin. Nevertheless, job expectations are lower than those expressed for 2023's second quarter when 50% of respondents forecast employment growth (vs. 2022's second quarter) versus the 14% seeing job decline.

Manufacturers are more likely to forecast third-quarter employment gains (52% expect increases vs. year-ago levels) than non-manufacturers (where 33% see such gains). Large companies are modestly more optimistic than small employers (41% versus 39% respectively see job gains).

Lower recent inflationary pressures have helped moderate future wage and salary expectations. Businesses surveyed expect per-employee wages and salaries to increase at a 3.6% annualized rate over the next 12 months, down from the 5% increase forecast one year ago.

Calendar Year 2023 Expectations

Survey respondents are less optimistic now toward 2023 than they were at the beginning of the year. At year's start, 70% of all businesses surveyed expected real sales increases in 2023. This percentage dipped to 49% in this survey.

Optimism towards profit levels have also slipped. Currently 53% of businesses predict profit increases in calendar year 2023, while 29% see declines (the remaining 19% predict no change). The current percentage of those surveyed expecting profit increases for the year is down from the 63% who opened 2023 expecting annual profit gains.

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MMAC/Business Outlook Survey – Page 3

Employment expectations for the year have likewise weakened. Thirty-seven percent of employers surveyed forecast employment increases in 2022 for their local operations, while 16% expect job declines. Forty-seven percent see no change. This ranks notably lower than the 53% who predicted job gains at the year's start.

Growth in business investment has been a strong point of the current national economic trend. Among metro area businesses, capital spending plans pushed upward. Forty-six percent of employers surveyed see increased capital spending for the year, while 31% see no change. Only 23% expect capital spending declines. The current percentage seeing increases ranks nine percentage points higher than the 37% who predicted capital expenditure gains at the beginning of 2023.

While national consumer price inflation remains high by historical standards it has trended downward over the course of 2023's first half – from January's 6.4% year-over-year increase to June's 3.0% rise. Local businesses see continuing moderation. Nearly two thirds (64%) of those surveyed see price inflation of 5% or less for 2023. Conversely 34% see inflation of 6% or higher.

2023 Business Concerns

Businesses were asked to rate business concerns in 2023. Among the concerns listed, continuing economic growth ranked as the most concerning. This was followed by labor shortages, price inflation, crime and supply chain issues. Continuing economic growth was ranked as either the top concern or second-highest concern across businesses by industry and employment size.

The Business Outlook Survey, conducted by the MMAC, contains responses from 70 Milwaukee area firms, both large and small, employing more than 19,000 people.

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Statistical table attached.

MMAC's Third-Quarter 2023 Business Outlook Survey*

Firms expecting a:	By Size		By Industry		TOTAL
	Large	Small (1)	Mfg.	Non-mfg.	
2023 Forecast					
Change in the dollar volume of Sales (net of inflationary effects) expected by 69 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022:					
RISE :	49%	50%	63%	40%	49%
DECLINE :	27%	28%	26%	29%	28%
NO CHANGE :	24%	22%	11%	31%	23%
Change in dollar volume of Profits expected by 70 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022:					
RISE :	51%	55%	74%	40%	53%
DECLINE :	30%	27%	19%	35%	29%
NO CHANGE :	19%	18%	7%	26%	19%
Change in the dollar volume of Capital Expenditures expected by 70 Milwaukee area firms for the entire year of 2023 vs. the entire year of 2022:					
RISE :	51%	39%	56%	40%	46%
DECLINE :	16%	30%	15%	28%	23%
NO CHANGE :	32%	30%	30%	33%	31%
Rate of Inflation expected to affect 69 Milwaukee area operations for the entire year of 2023:					
DEFLATION	3%	6%	7%	2%	4%
0-2% INFLATION :	19%	9%	15%	14%	14%
3-5% INFLATION :	38%	56%	41%	50%	46%
6-9% INFLATION :	35%	25%	33%	29%	30%
10% or more :	5%	3%	4%	5%	4%
Change in the level of Total Employment expected by 70 Milwaukee area firms for the entire year of 2023 vs. 2022:					
RISE :	41%	33%	52%	28%	37%
DECLINE :	14%	18%	11%	19%	16%
NO CHANGE :	46%	48%	37%	53%	47%
2023 Third Quarter (Compared to Previous Quarter)					
Change in dollar volume of Sales (net of inflationary effects) expected by 68 Milwaukee area firms for 3rd quarter 2023 vs. 2nd quarter 2023:					
RISE :	46%	74%	62%	57%	59%
DECLINE :	24%	6%	19%	14%	16%
NO CHANGE :	30%	19%	19%	29%	25%
2023 Third Quarter (Compared to Same Quarter One Year Ago)					
Change in dollar volume of Sales (net of inflationary effects) expected by 70 Milwaukee area firms for the 3rd quarter 2023 vs. 3rd quarter 2022:					
RISE :	51%	61%	63%	51%	56%
DECLINE:	24%	15%	22%	19%	20%
NO CHANGE :	24%	24%	15%	30%	24%
Change in the dollar volume of Profits expected by 69 Milwaukee firms for the 3rd quarter 2023 vs. 3rd quarter of 2022:					
RISE :	46%	56%	74%	36%	51%
DECLINE :	24%	19%	11%	29%	22%
NO CHANGE :	30%	25%	15%	36%	28%
Change in the level of Total Employment expected by 70 Milwaukee area firms for the 3rd quarter 2023 vs. 3rd quarter 2022:					
RISE :	41%	39%	52%	33%	40%
DECLINE :	22%	18%	15%	23%	20%
NO CHANGE :	38%	42%	33%	44%	40%
Change in the per person, employee Wages & Salaries expected in the next 12 months:					
AVERAGE :	3.4%	3.7%	3.7%	3.4%	3.6%

MMAC's Third-Quarter 2023 Business Outlook Survey*

Firms expecting a:		By Size		By Industry		TOTAL
		Large	Small (1)	Mfg.	Non-mfg.	
Business Concerns going into 2023's Third Quarter						
Average ranking of concern level ranked 1 to 5. 5 being rated most concerning, 1 being lowest rated concern.	Price inflation	3.62	3.34	3.44	3.52	3.49
	Continuing economic growth & recovery	3.78	3.42	3.81	3.49	3.62
	Supply chain issues	2.86	2.55	2.81	2.66	2.72
	Labor shortages	3.57	3.40	3.56	3.48	3.51
	Crime	3.08	3.13	3.04	3.14	3.10

* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 persons