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BMO BUSINESS OUTLOOK

Wisconsin

BMO experts providing insights on the state's business and economic outlook.



WISCONSIN BUSINESS OUTLOOK



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Wisconsin businesses are entering 2026 from a position of resilience rather than acceleration. After a solid performance in 2025, most companies remain optimistic despite elevated economic and political noise. While uncertainty persists around monetary policy, geopolitics, and domestic politics, Wisconsin's business community continues to demonstrate resilience—adapting quickly and focusing on stability, productivity, and long-term execution. At the same time, businesses are operating within a structurally constrained growth environment, shaped by long-running labor shortages and slower relative economic expansion compared with the national average.

Client sentiment across the state is constructive and forward-looking. Business leaders consistently describe a positive operating climate and an ability to navigate economic cycles through creativity and flexibility. Many companies have spent the past several years strengthening balance sheets and reducing leverage, positioning themselves well to operate effectively despite limited labor availability. As a result, clients are increasingly focused on expansion opportunities in 2026, including acquisitions. In addition to driving scale, M&A activity is viewed as a strategic lever to deepen leadership benches and mitigate persistent labor constraints.

Operationally, businesses are prioritizing efficiency and productivity. With labor markets tight – a function of demographic pressures and low participation rather than strong hiring demand – particularly in skilled trades, companies are finding ways to “do more with less,” optimizing existing workforces through process improvement and technology adoption. Investments in automation and digital tools are rising, not as a

replacement for labor, but to extend capacity and support sustainable growth in a constrained hiring environment.

Manufacturing and construction continue to anchor Wisconsin's economy, even as both sectors navigate labor scarcity, tariff exposure, and margin pressure. While backlogs provide some near-term visibility, employment growth has been uneven, reinforcing the need for disciplined capital planning and productivity-focused investment rather than broad expansion.



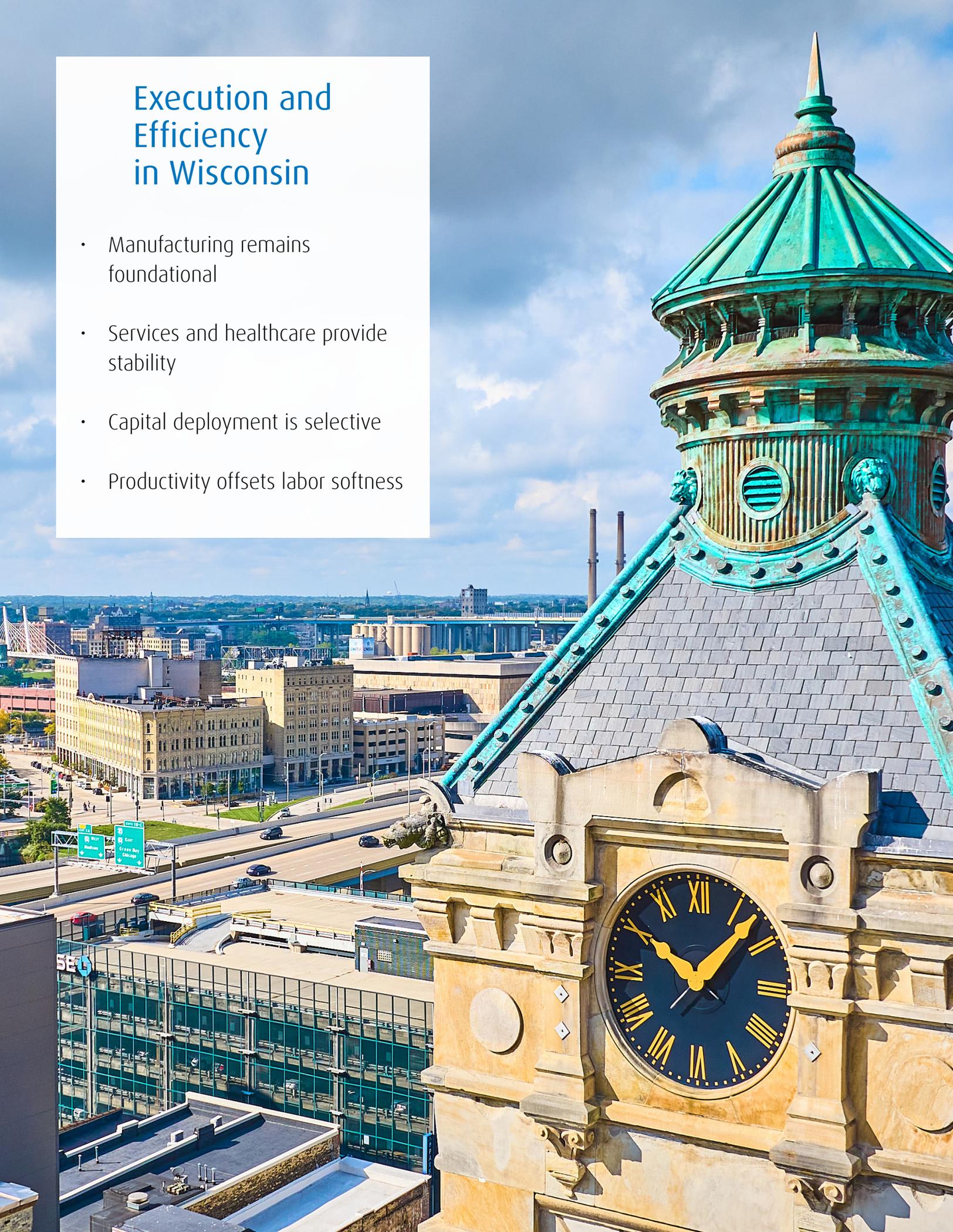
Wisconsin businesses are leaning into efficiency and disciplined execution as manufacturing adapts to a slower, more normalized cycle.



Looking ahead, labor remains the most significant structural challenge. Demographic trends are tightening the workforce, particularly in trades, and elevated housing prices and rental costs are increasingly affecting companies' ability to recruit and retain talent. Even so, Wisconsin businesses remain focused on execution. There is a broad recognition that the fundamentals of the domestic economy are sound, and that success will come from staying disciplined, investing strategically, and growing primarily through efficiency and scale rather than workforce expansion, tuning out short-term noise in favor of long-term opportunity.

Execution and Efficiency in Wisconsin

- Manufacturing remains foundational
- Services and healthcare provide stability
- Capital deployment is selective
- Productivity offsets labor softness



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ECONOMIC OUTLOOK



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Wisconsin's economic growth continues to lag the national average. Real GDP expanded 1.5% y/y in 2025 Q3 (with the U.S. at 2.3% y/y), ranking #39 among states. Underperformance is a perennial problem. Except for one quarter (2022Q3), the Badger State has lagged the national norm consistently for more than a decade. Aside from the state's above-average exposure to more cyclical industries such as manufacturing and agriculture, which can beget temporary bouts of underperformance, the dominant drag on Wisconsin's relative economic performance is its chronically constrained labor supply.

The state's unemployment rate ended last year at 3.1%, which matched the sixth lowest in the nation. The combination of this low rate with slow growth contrasts with New Hampshire, also with a 3.1% jobless rate but posting Top 10 economic growth. Wisconsin is among the states with the oldest labor force, applying downward pressure on the participation rate (which hit a record low 62.1% in November) and the unemployment rate. The Administration's tightening of immigration regulations is problematic for a state trying to attract workers. For the record, payroll jobs were still up 6.7k in 2025 (or +0.2% y/y), paced by healthcare and social assistance (+10.9k), arts, entertainment, and recreation (+6.3k), and construction (+5.1k). This was partly offset by losses in retail trade (-5.9k), business administrative and waste management services (-5.1k), and manufacturing (-3.8k).

Turning back to GDP, manufacturing and agriculture were among the foremost growth influencers in the latest interval. Durable goods manufacturing expanded around 4% y/y, despite the headwinds of tariffs (that raise the cost of intermediate goods) and retaliation (by Canada and China...

Wisconsin's first and third largest export markets, respectively). Both countries relaxed their retaliatory actions in September and November, respectively, but, as of 2025 Q3, agricultural activity was still reeling from China's purchasing pullback along with the mix of falling prices (e.g., for dairy products) and rising costs (e.g., for fertilizer). However, in a nod to economic diversity, the largest contributor to growth was finance and insurance.

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Manufacturing stabilization
and healthcare growth are
supporting Wisconsin's economy
amid higher costs and softer
demand.
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Meanwhile, housing affordability, an historical advantage for the state, is eroding. Amid the volume of home sales slipping 2.1% y/y in the three months ending January (according to Redfin), the median sale price was up 4.3% y/y, not having registered a negative result since these figures began in 2012. (Note: FHFA figures show negatives around the Great Recession.) The erosion of affordability is also problematic for a state attempting to attract workers. On balance, Wisconsin's labor force challenges remain the key factor affecting economic performance this year, with sturdy factory output and rebounding agriculture lending a hand.

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