

# WISCONSIN Economic Outlook

November  
2009

## Executive Summary

***Projected endpoint of the national recession is mid-2009***

***Inventories are the main driver of national growth in the second half of 2009***

***Wisconsin employment expected bottom out in first quarter of 2010 before recovering***

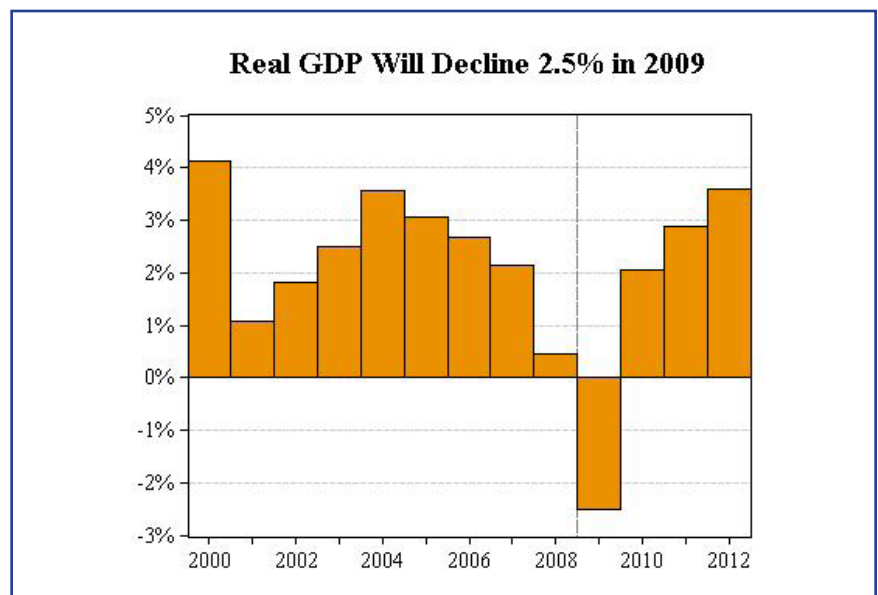
***State personal income growth will return in 2010***

***Wisconsin's Metropolitan Statistical Areas analyzed in a special report***

The national economy entered recession in December 2007, as dated by the National Bureau of Economic Research. The recession lasted approximately 18 months with an end point in mid-2009. While the economy may be in recovery, employment continues to fall, with more than 7 million jobs lost through September. The Wisconsin economy also entered recession at the end of 2007, losing 138,900 jobs between December 2007 and August 2009. Though not yet on a recovery path, the dramatic declines seen in Wisconsin employment the first four months of the year will stop.

The outlook has slightly improved since our June release. The current Wisconsin outlook calls for a peak-to-trough job loss of 143,000 or 5.0% of total employment, compared to the 155,300 (5.4%) job loss expected in June.

The September national forecast shows a mild "W" shape to economic growth, with growth hitting nearly 4.0% in the third quarter of 2009 before dipping below 2.0% during 2010. The U.S. labor market will shed a total of 7.4 million jobs peak-to-trough, representing an employment decline of 3.7% and 0.5% in 2009 and 2010 respectively.



### Wisconsin Employment Resumes Growth in 2010



### WI Personal Income Outlook

Wisconsin total personal income grew 2.6% in 2008. The current forecast calls for personal income to decline 3.3% in 2009. The drop in personal income would be higher if not for the American Recovery and Reinvestment Act, which will increase transfer receipts by 10.4% in 2009.

Personal income will grow 2.1% in 2010 as wages start to grow again. With stronger wage and property income growth, personal income will grow 3.8% in 2011 and 5.0% in 2012.

Inflation, as measured by the personal consumption expenditures price index, grew 3.3% in 2008, offsetting the gain in personal income. Wisconsin real personal income declined 0.7% in 2008 and will decline 3.5% in 2009.

During the recovery, as demand starts to put pressure on prices, inflation will show mild growth (below 2.0%) for the rest of the forecast period. With this price growth, real personal income will grow 0.8% in 2010 and 1.9% in 2011, reaching 3.3% by 2012.

### WI Employment Outlook

Wisconsin lost 77,700 jobs during the first four months of 2009, but employment has stabilized to about 2.75 million jobs May to August.

The forecast shows Wisconsin employment bottoming out in the first quarter of 2010 and slowly recovering next year, reaching pre-recessionary levels by the end of 2012.

The rest of the year will see moderate monthly job losses compared to those at the beginning of the year. State employment will decline 3.8% in 2009 and increase slightly in 2010. Employment will return to normal growth in 2011, with 1.9% and 2.2% growth in 2011 and 2012 respectively.

Trade, Transportation and Utilities is the largest employment sector in Wisconsin, representing 19% of total employment. The forecast for that sector calls for a 4.0% decline in 2009 and 0.1% in 2010.

Wisconsin manufacturing employment has outperformed the U.S. lately and will continue to do so. Wisconsin manufacturing jobs

declined 0.9% and 1.7% in 2007 and 2008, compared to U.S. declines of 2.0% and 3.3% respectively. The forecast calls for declines in state manufacturing of 9.8% in 2009 and 3.3% in 2010 compared to U.S. declines of 10.6% and 4.6%.

Wisconsin's seasonally adjusted unemployment rate declined in August to 8.8% from 9.0% in July. It has been stable for the last four months, but it is still more than double from a year ago. The forecast expects the state unemployment rate to peak at 9.3% in the first quarter of 2010.

### Special Report: Metropolitan Area Outlook

Wisconsin's 12 metropolitan statistical areas (MSAs) are each centered around a city with a population of at least 50,000. Together, they comprise 21 of the state's 72 counties and 67.4% of the state's population. An analysis of each MSA is included in a special report.

Nonfarm employment in MSAs declined 0.6% in 2008 while non-metro areas saw a decline of 0.3%. Both metropolitan and rural counties will see employment losses in 2009, with small declines to weak growth in 2010, and more robust growth in 2011 and 2012.

In 2008, total personal income increased 3.3% in Wisconsin's metropolitan areas. In the forecast, all of the metropolitan areas will see declines in personal income in 2009.

## U.S. Outlook

The recovery is getting off to a fast start, possibly faster than can be sustained, according to Global Insight forecast. Recent upbeat indicators include further improvements in home sales, stabilizing home prices, and rising capital goods shipments.

The turn in the inventory cycle drives growth in the second half of the year. Firms will at first cut their inventories less rapidly, and then begin to add to them by the fourth quarter.

Despite the fast start, the forecast expects growth will ease to a 2.0% pace by the first quarter of 2010, after the inventory swing runs its course. It will take several years for growth to stay above 2.0% on a sustained basis.

Employment will continue to decline for the next two quarters, hitting bottom in the first quarter of 2010, more than 5.0% below the peak reached during the fourth quarter of 2007. Employment will not return to its pre-recession level until the end of 2012.

Unemployment will peak at 10.0% during the first quarter of 2010.

Global Insight indicates the consumer remains the weak link in the recovery. Consumers will spend when the deal is attractive enough, as shown by the success of the 'Cash for Clunkers' program. While aggressive business cost-cutting has boosted productivity and profits, it has hurt wage income. Spending will fall 0.8% in 2009 and rise 1.6% in 2010.

Total industrial production will decline in 2009 and then increase for the remainder of the forecast.

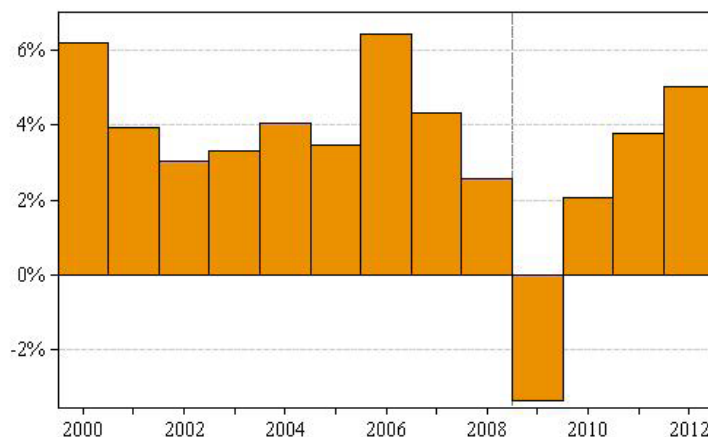
## Key U.S. Forecast Assumptions

- > \$561 Billion from Stimulus Package Injected Through 2011
- > \$615 Billion from TARP in Effect
- > 'Cash for Clunkers' Over, Boosted Car Sales to 10M Units in 2009
- > Fed Holds Rates Near Zero
- > Oil Prices Hold Around \$70/Barrel for Remainder of 2009
- > U.S. Trading Partners in Recession
- > Dollar Stays Within Recent Trading Ranges for Rest of 2009
- > Defense Spending Growth Expected to Slow

Executive Summary based on the *Wisconsin Economic Outlook*, a quarterly publication of the Wisconsin Department of Revenue Division of Research & Policy.

Read the [full report](#)

Wisconsin Personal Income Growth



## Questions?

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