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Details: Informational hearing (1/27/2009)—folder labeled SJR 86

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2009-10**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on ... Economic Development (SC-ED)**

**COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

**INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Gigi Godwin (LRB) (July/2011)

# Economic Outlook for Wisconsin

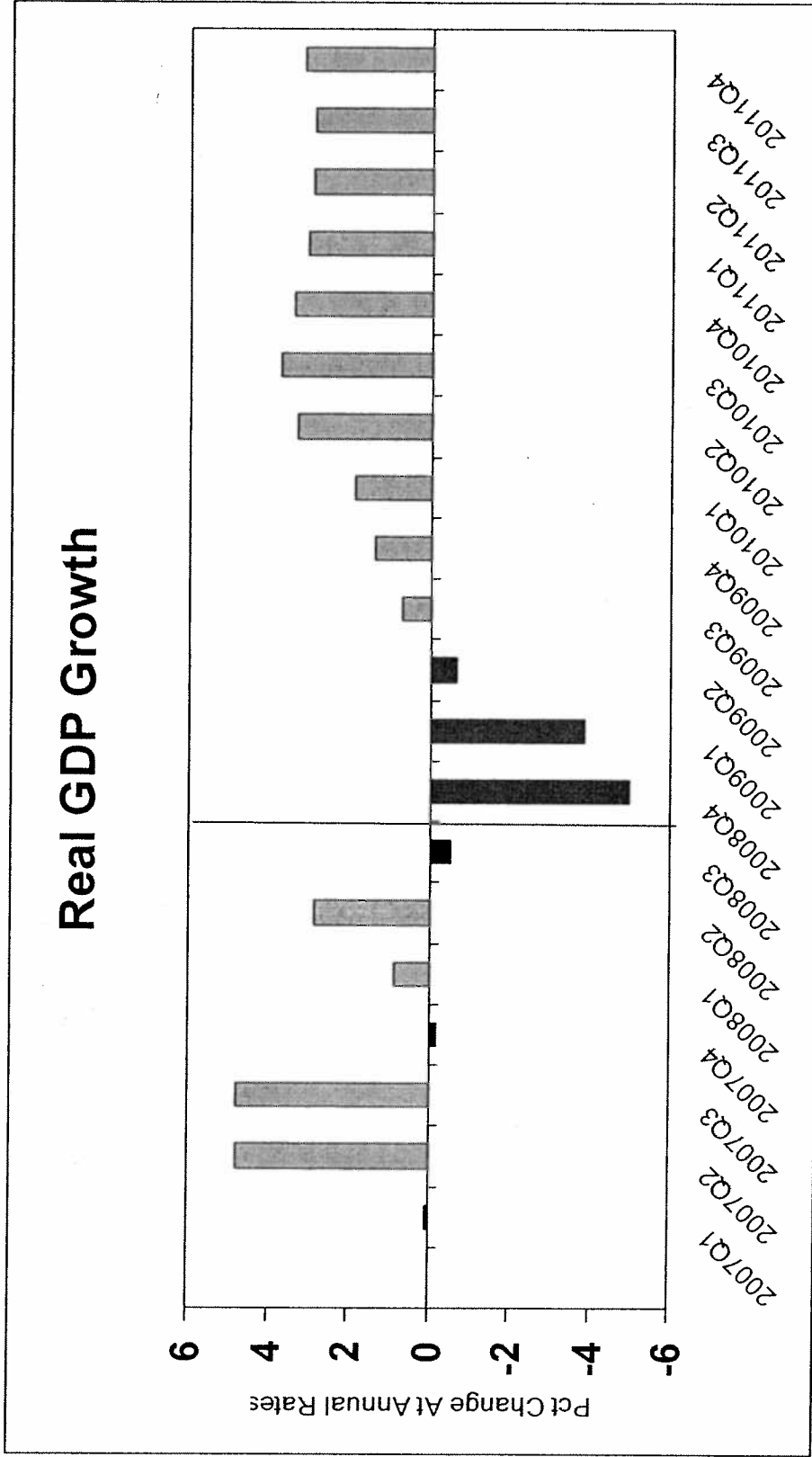
Senate Committee on Economic Development  
Informational Hearing  
January 27, 2009

Based on information supplied by  
Federal and State government statistical agencies,  
Federal Reserve System and regional banks,  
and private economic firms and organizations.  
National forecasts provided by Global Insight, Inc.



January 27, 2009

# US Economic Growth Outlook



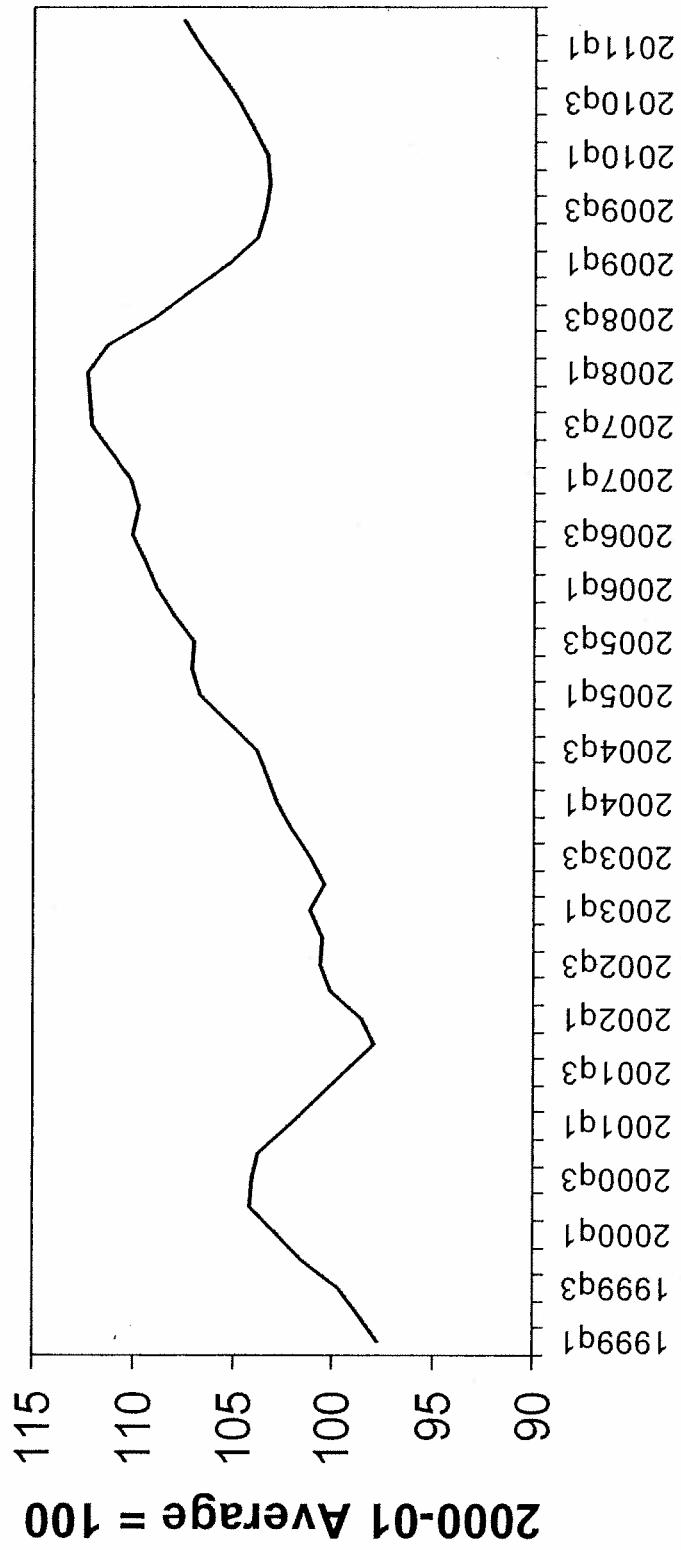
Source: BEA; Global Insight, December 2008 Forecast



January 27, 2009

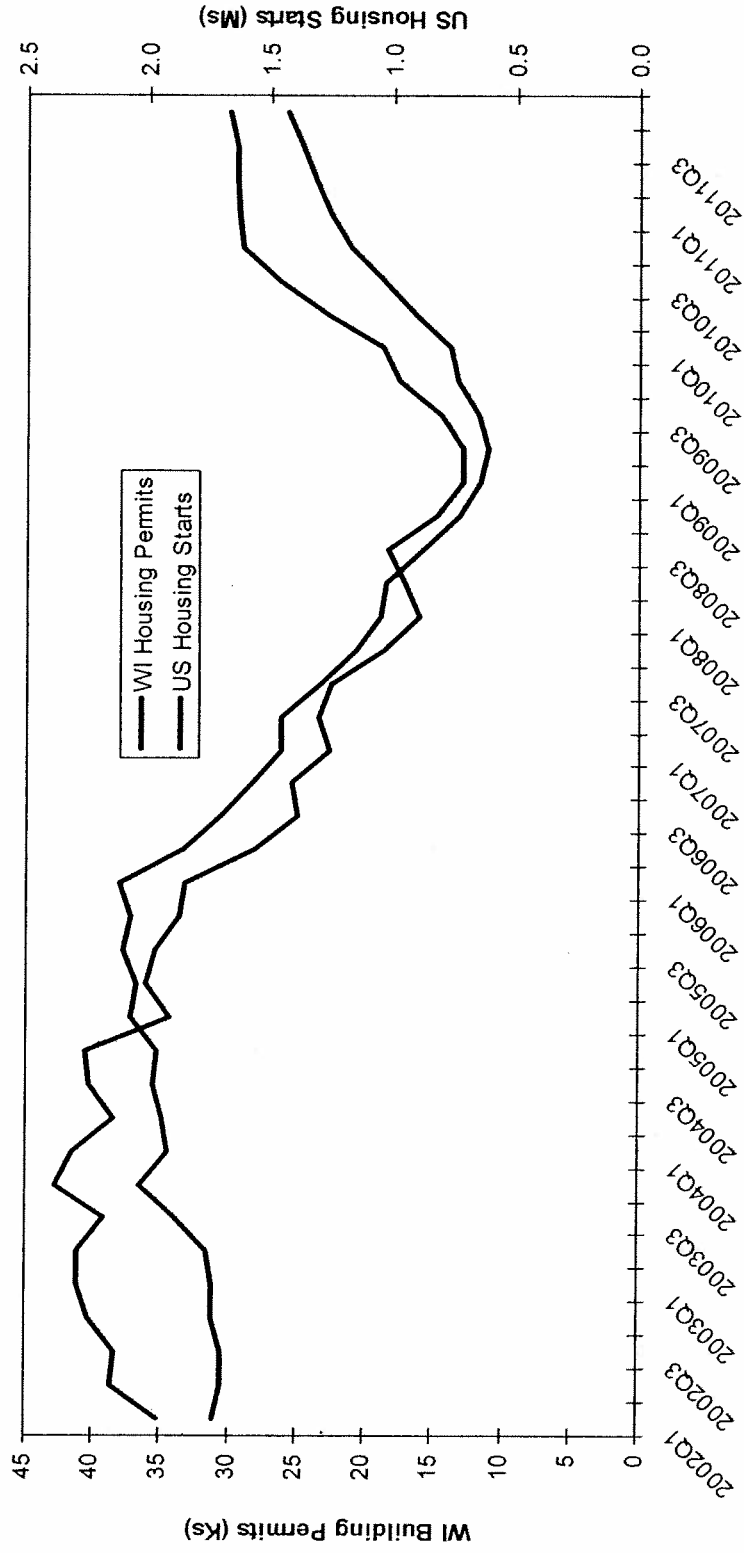
# Industrial Production Will Decline Through the End of 2009

## Industrial Production



# Housing Bottom Anticipated Late 2009

Wisconsin and US Housing Construction

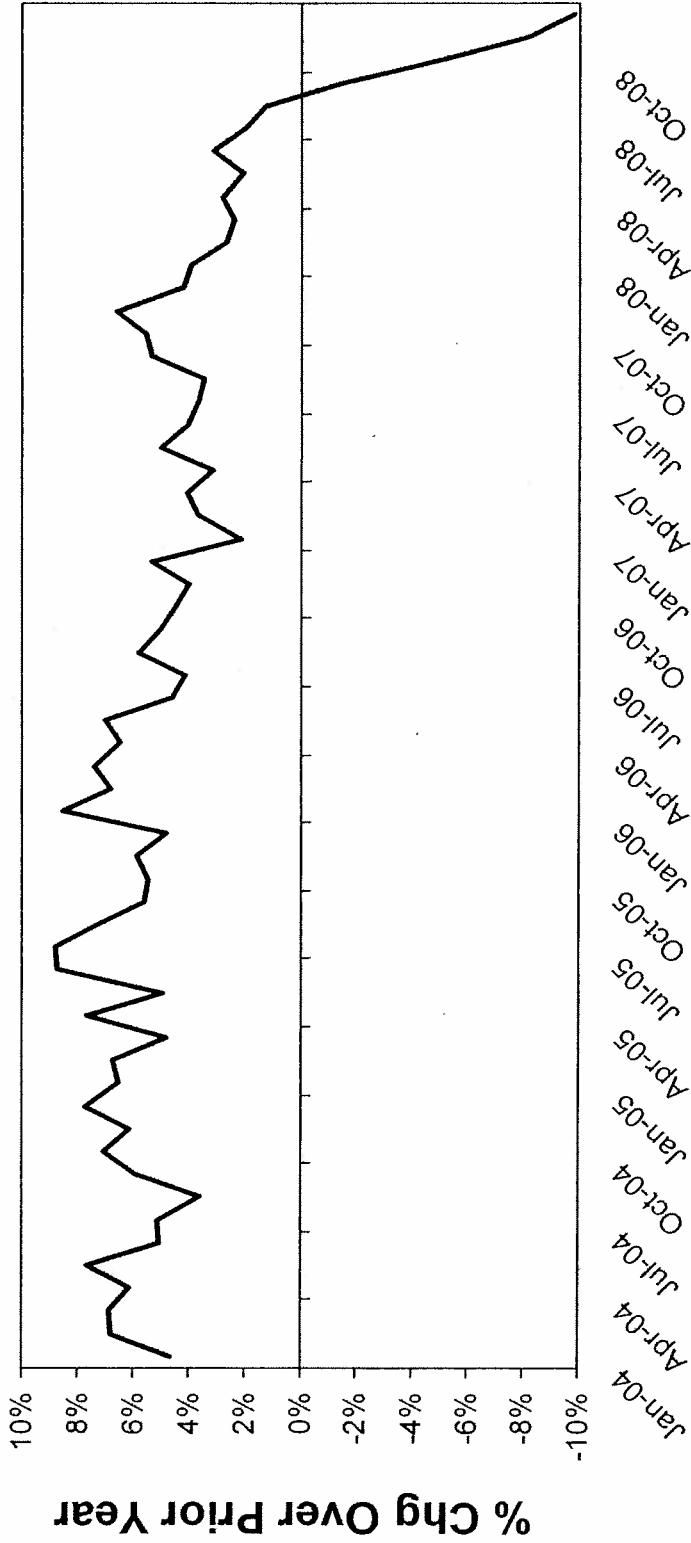


January 27, 2009



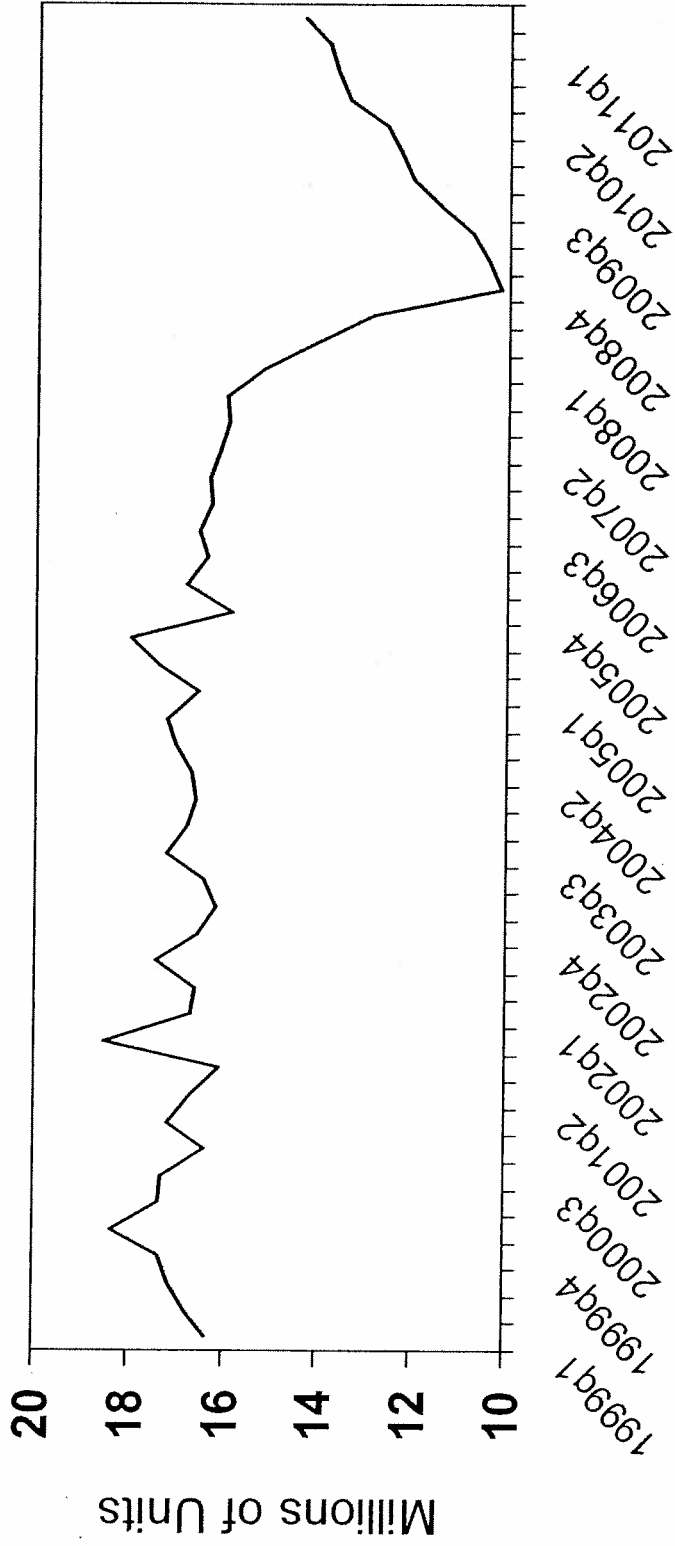
# Retail Sales in a Free Fall

Total Retail Sales



# Motor Vehicle Sales Start a Slow Recovery in 2nd Qtr 2009

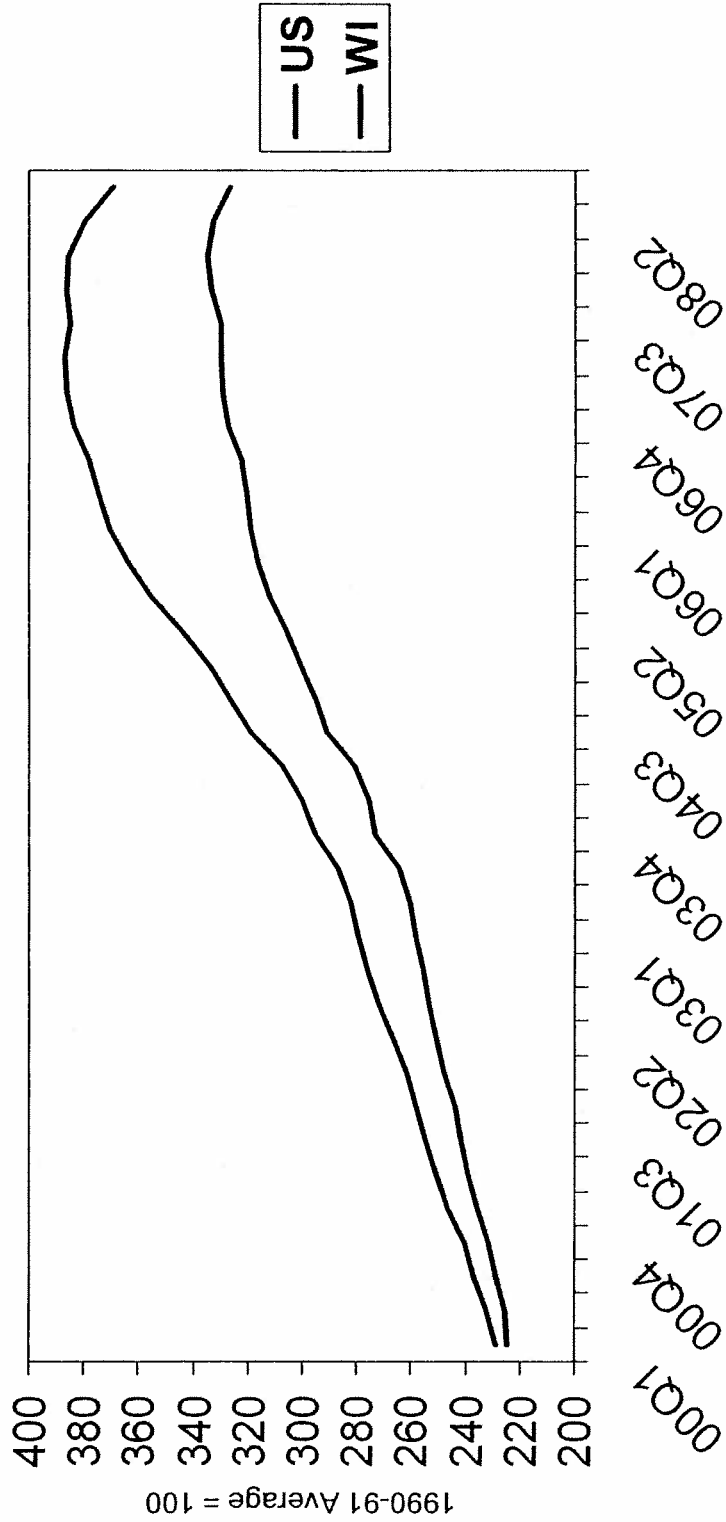
## Light Vehicle Sales



# Home Prices

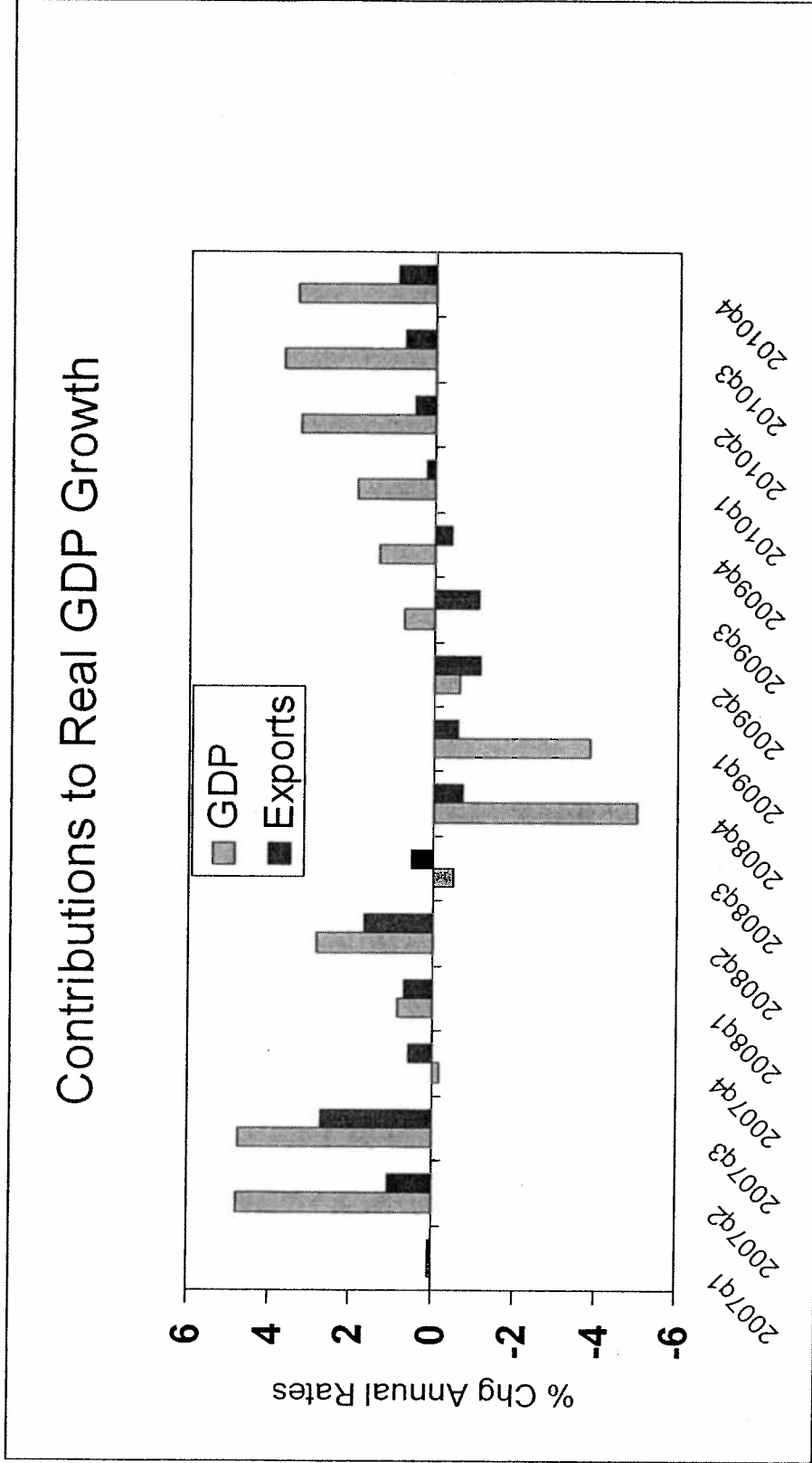
Wisconsin Appreciation More Moderate than US

OFHEO Price Index

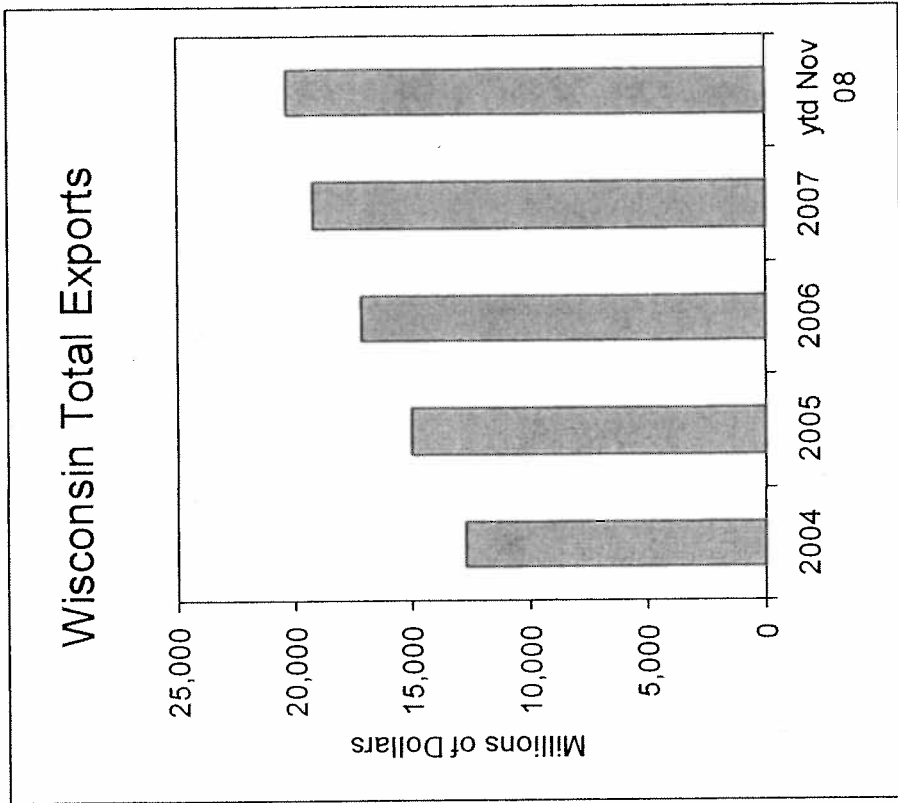
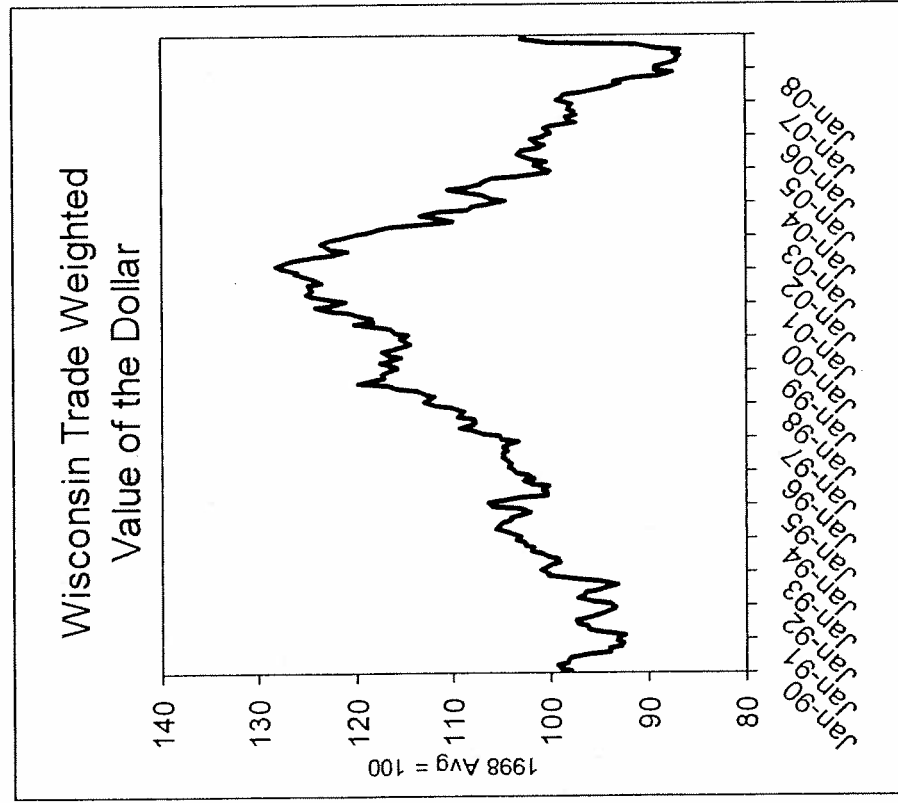




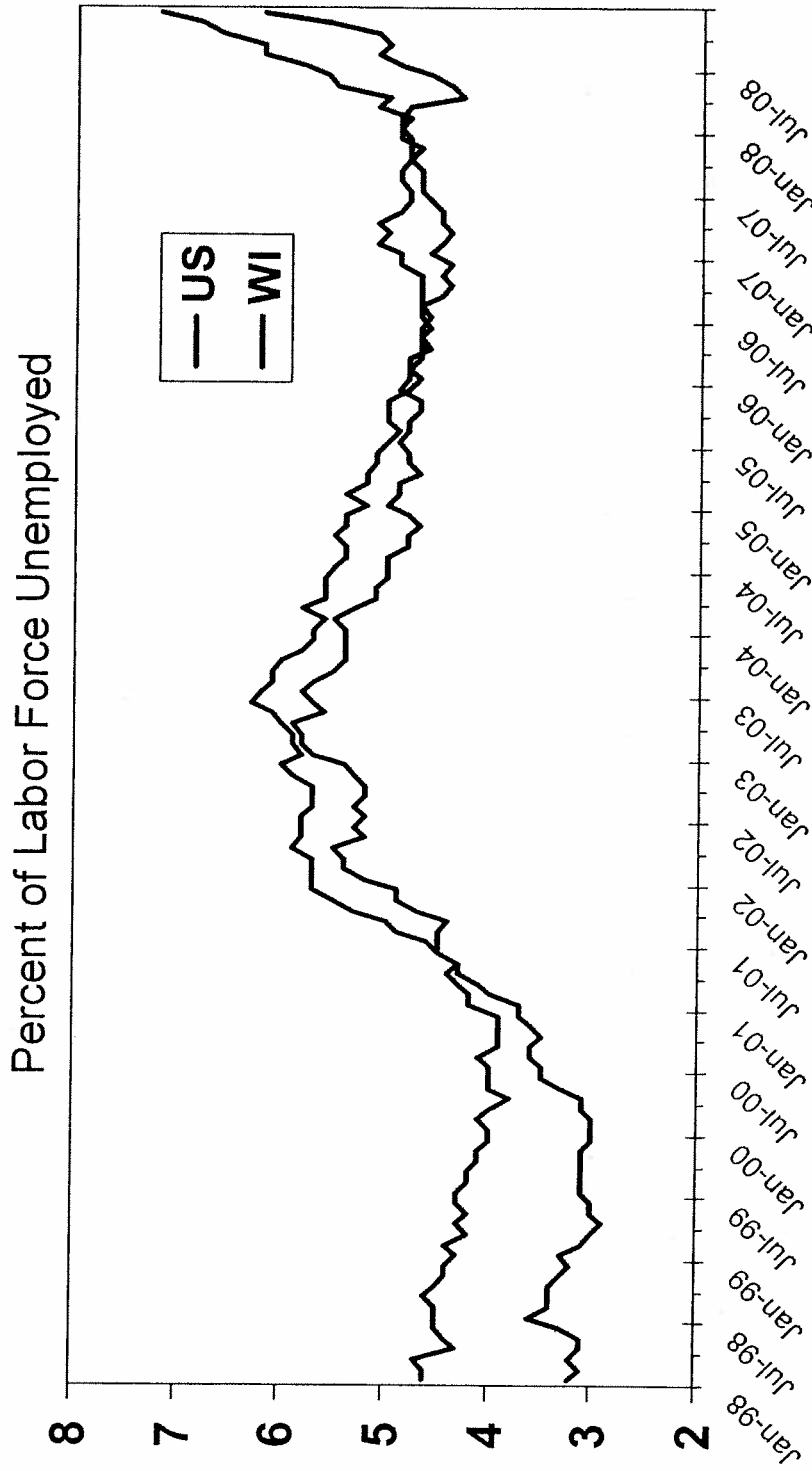
# Exports Sustained Growth in 2007 and 2008



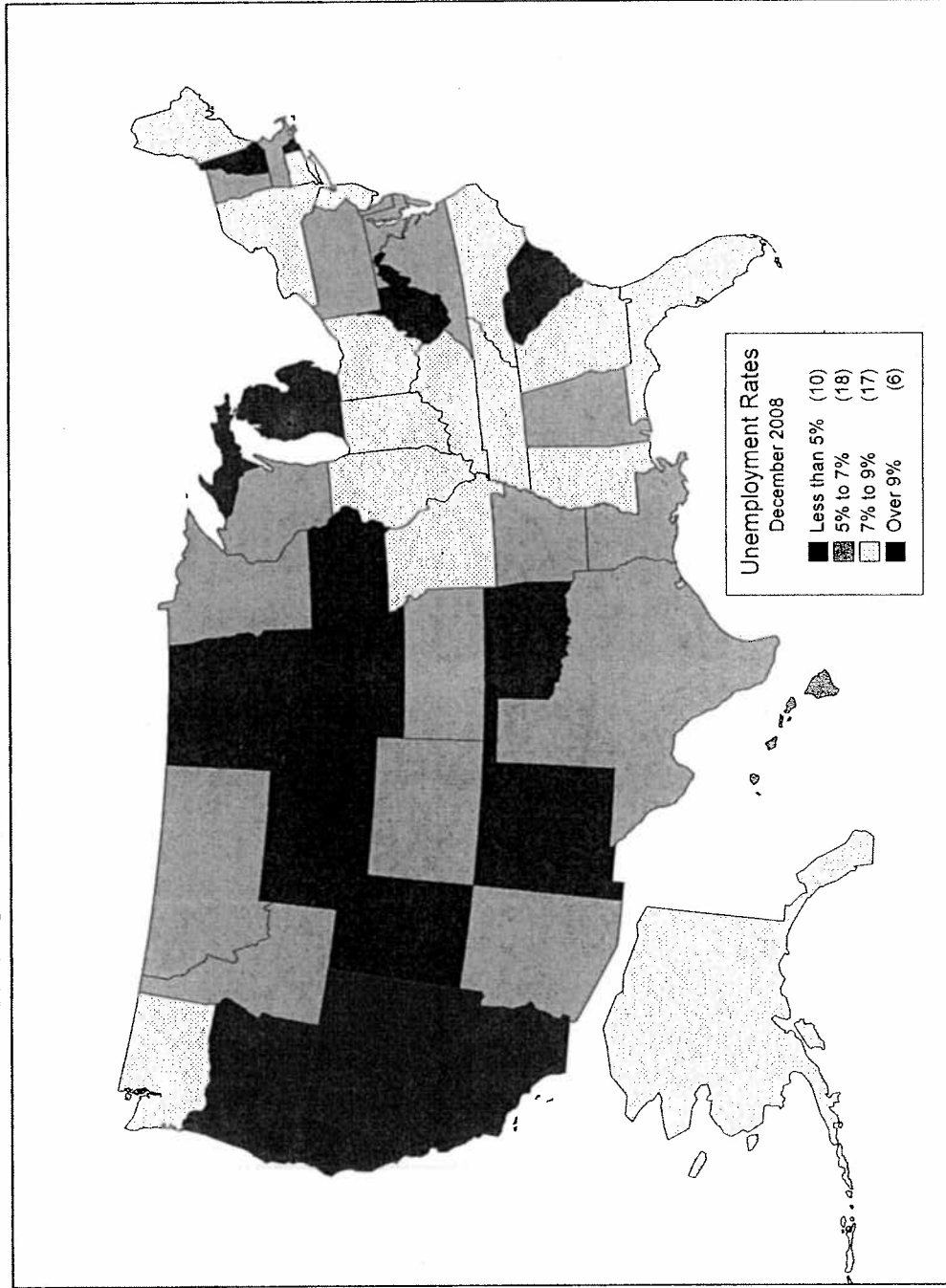
# Exports a Major Contributor to the Wisconsin Economy



# Wisconsin Unemployment Rate Tracks Below US Rate



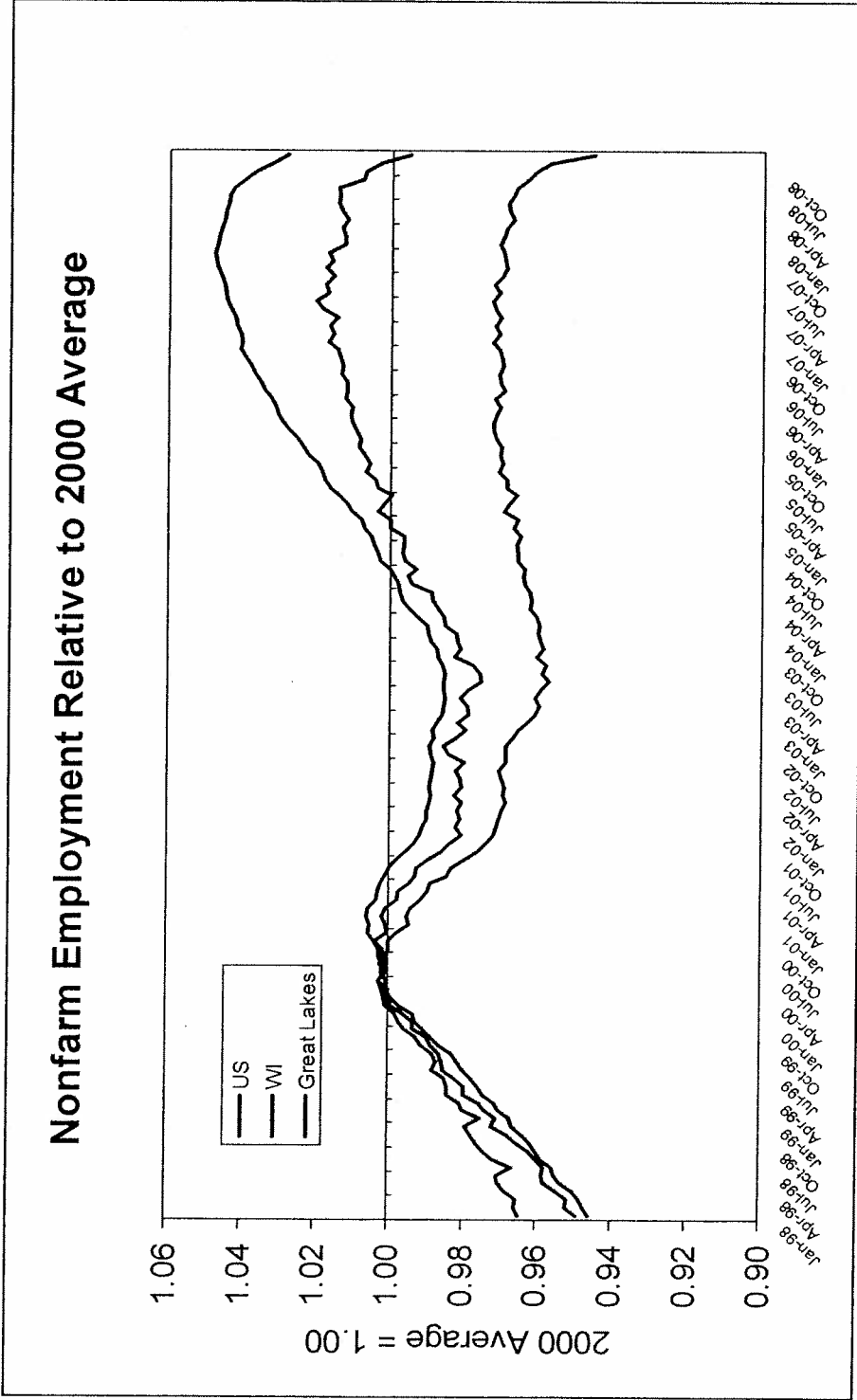
# Wisconsin Unemployment Rate Lowest in the Great Lakes



January 27, 2009

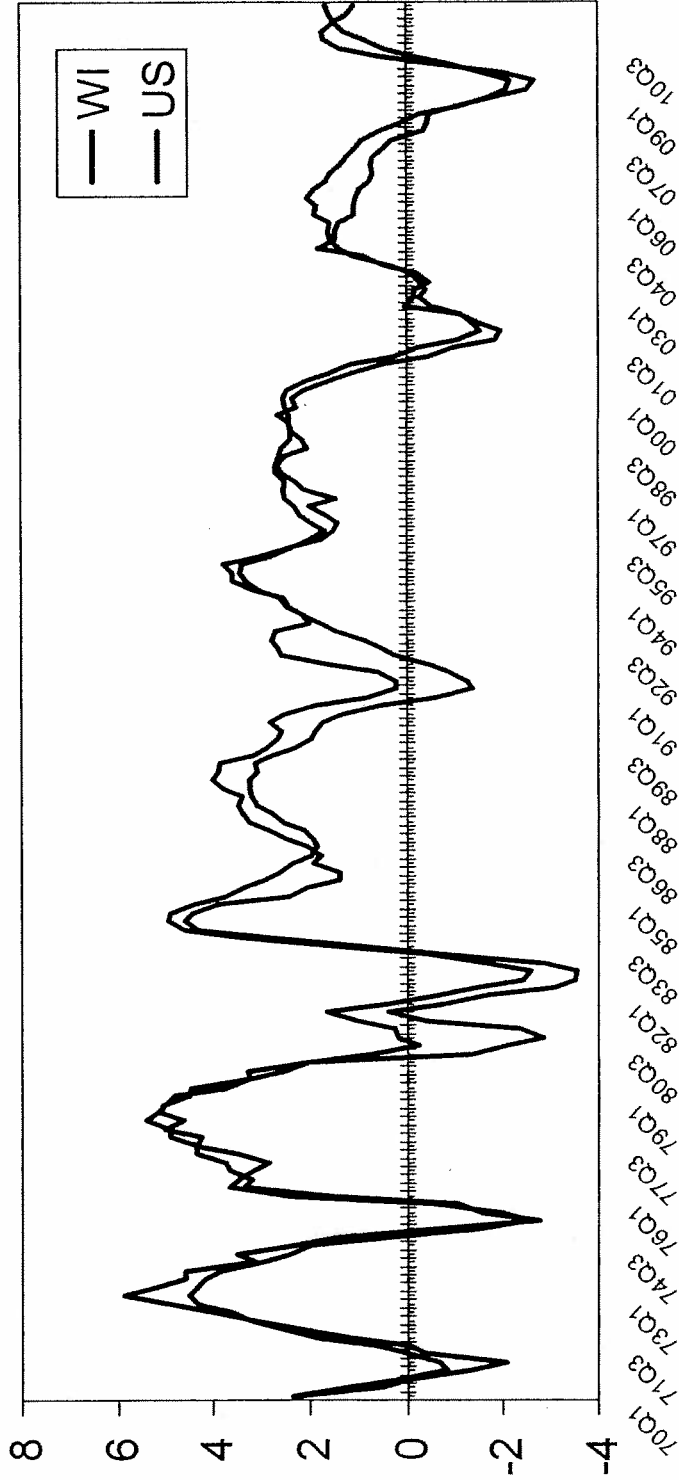
# Lost Decade

After Job Losses in 2008  
Wisconsin Employment Back to 2000 Levels



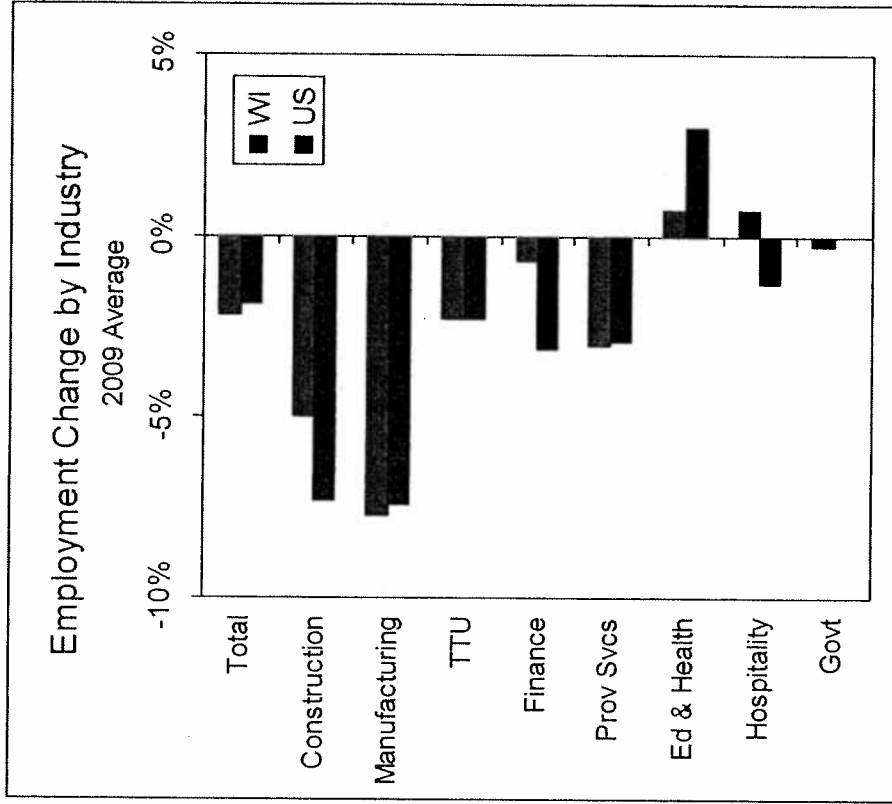
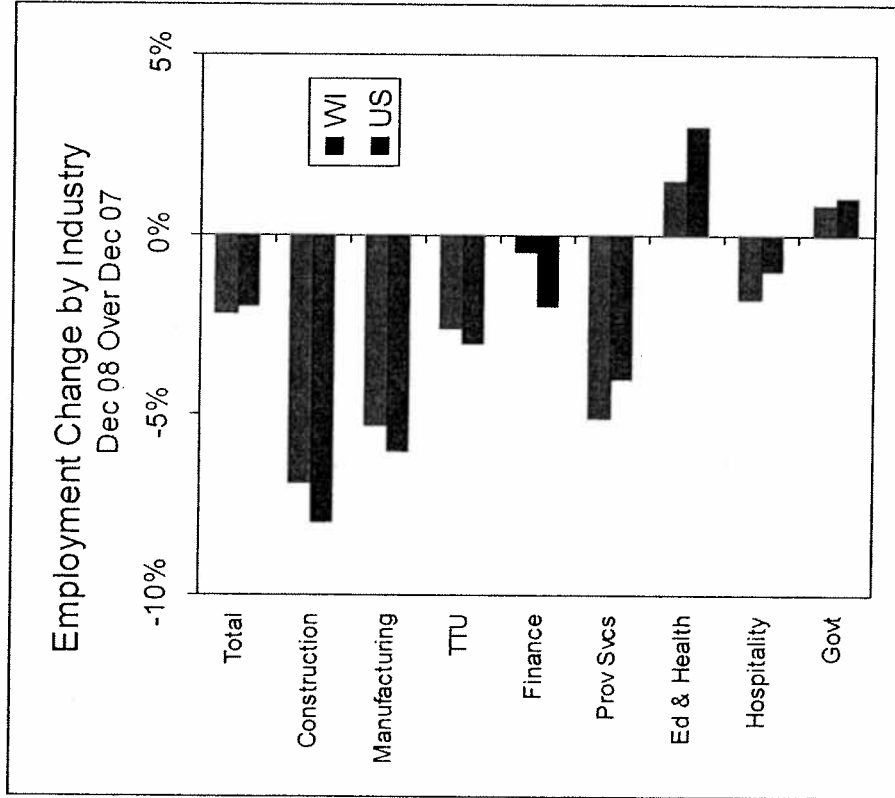
# Job Losses More Severe than Past Two Recession Not as Profound as Early 80s

Non-Farm Employment Growth

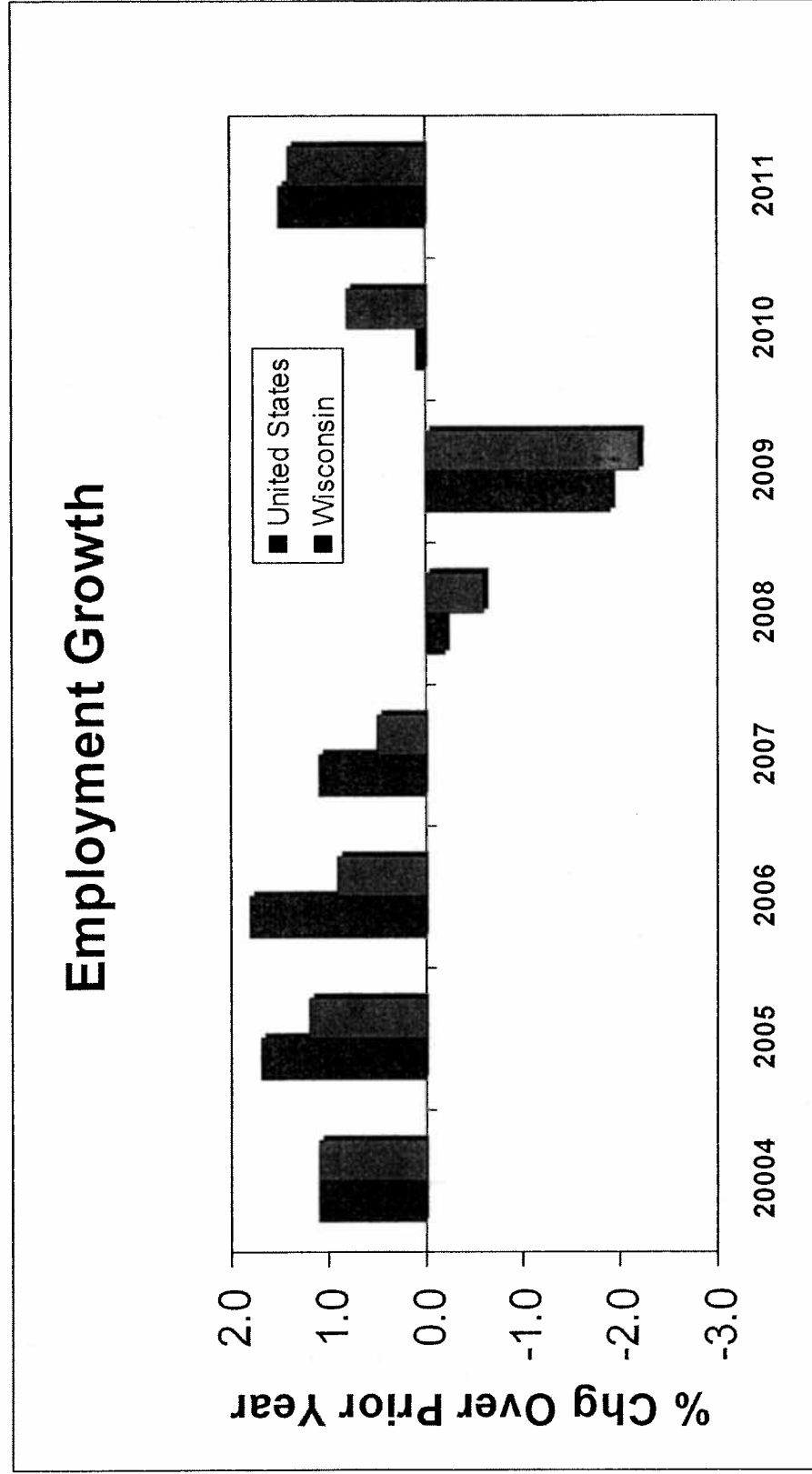


January 27, 2009

# Industry Employment Performance Varies

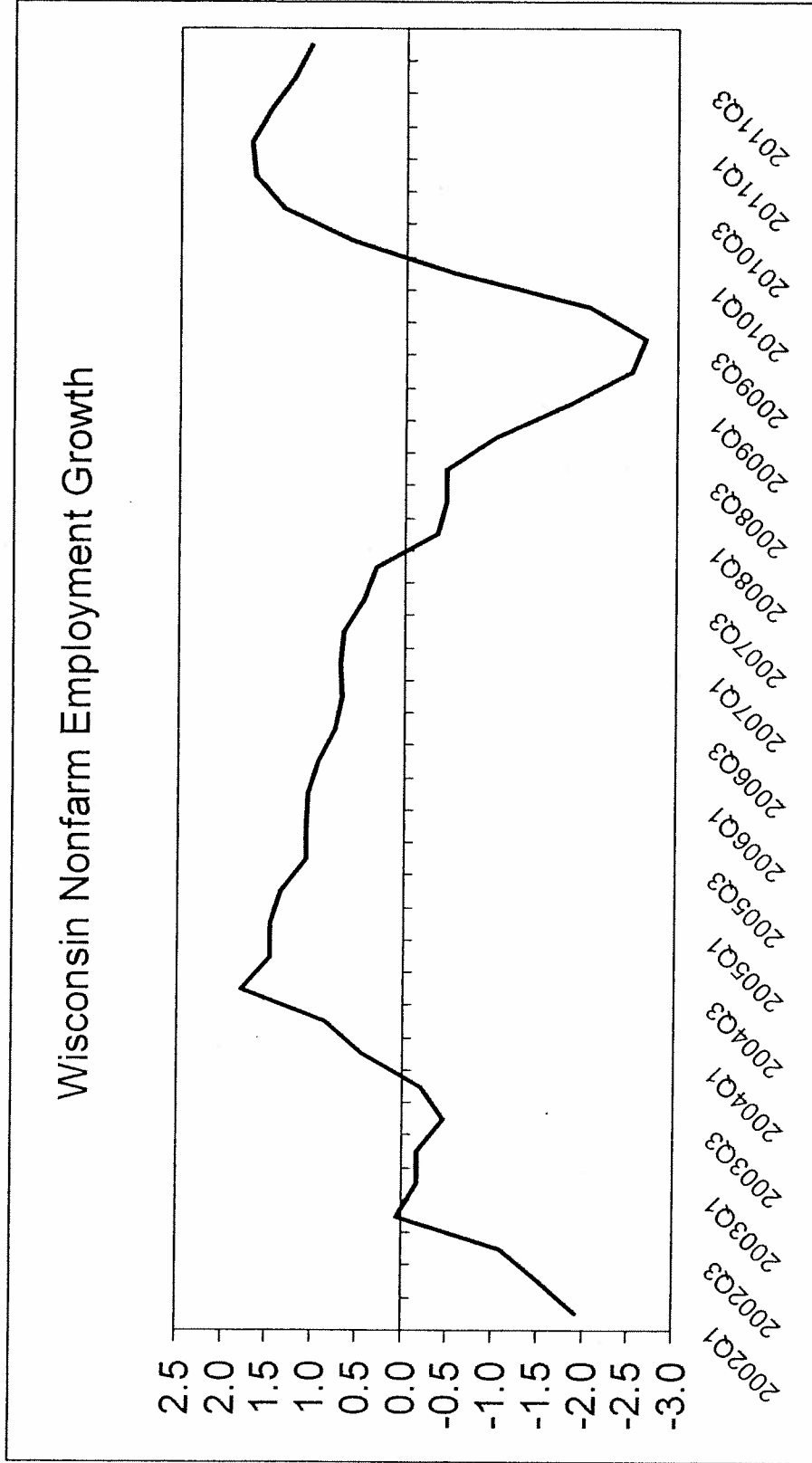


# Wisconsin Employment Prospects Improve in 2010

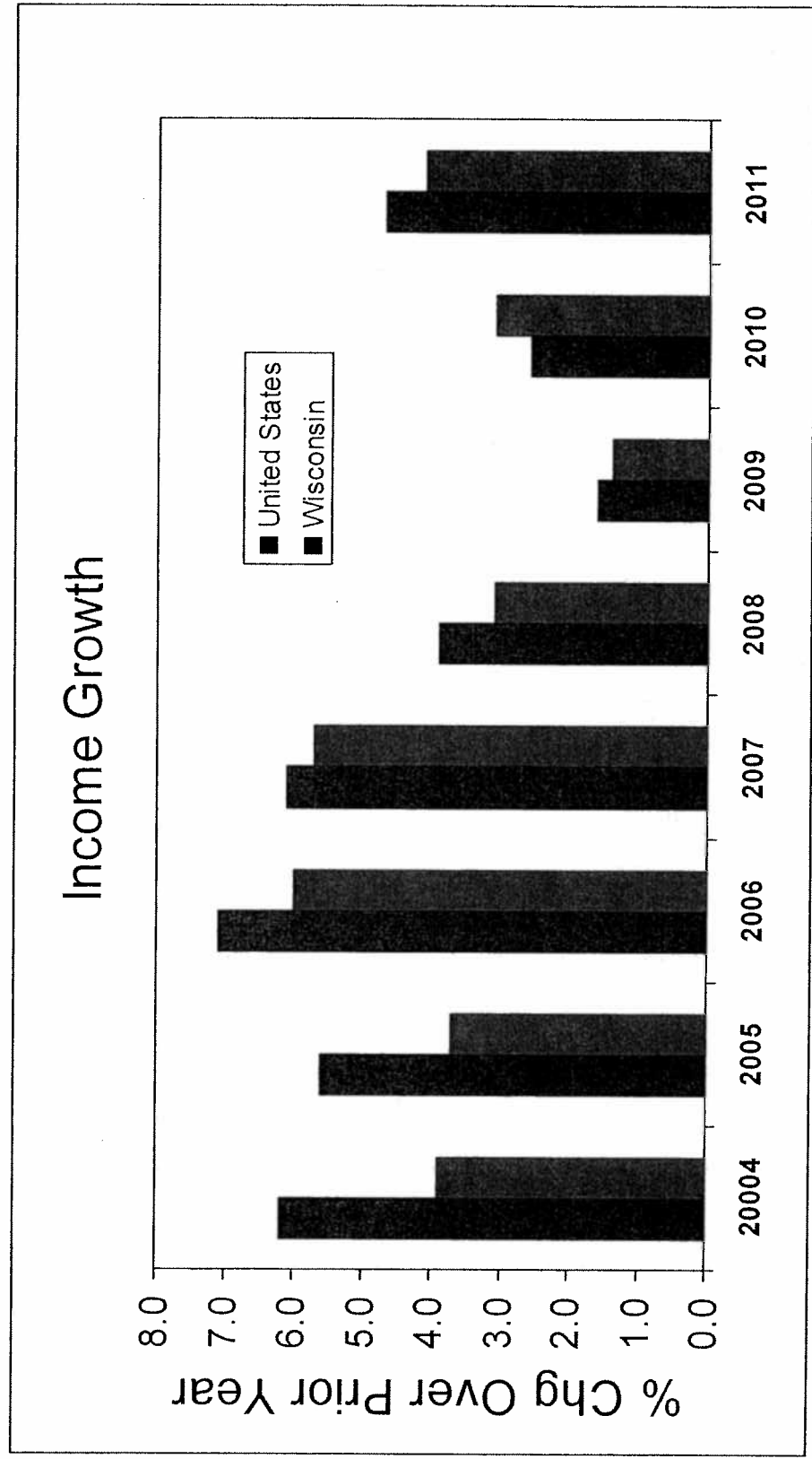




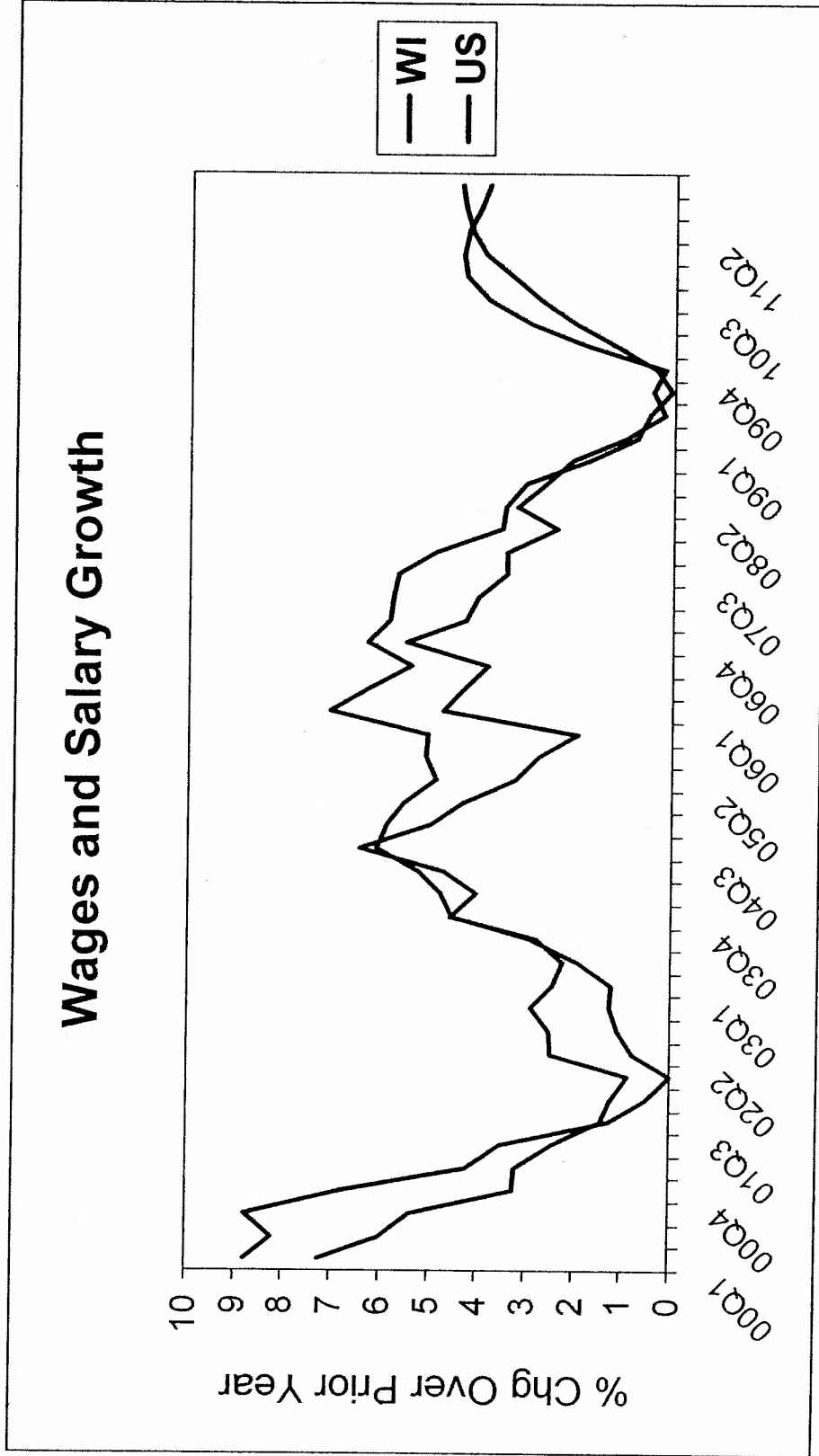
# Employment Recovery Begins Mid-2010



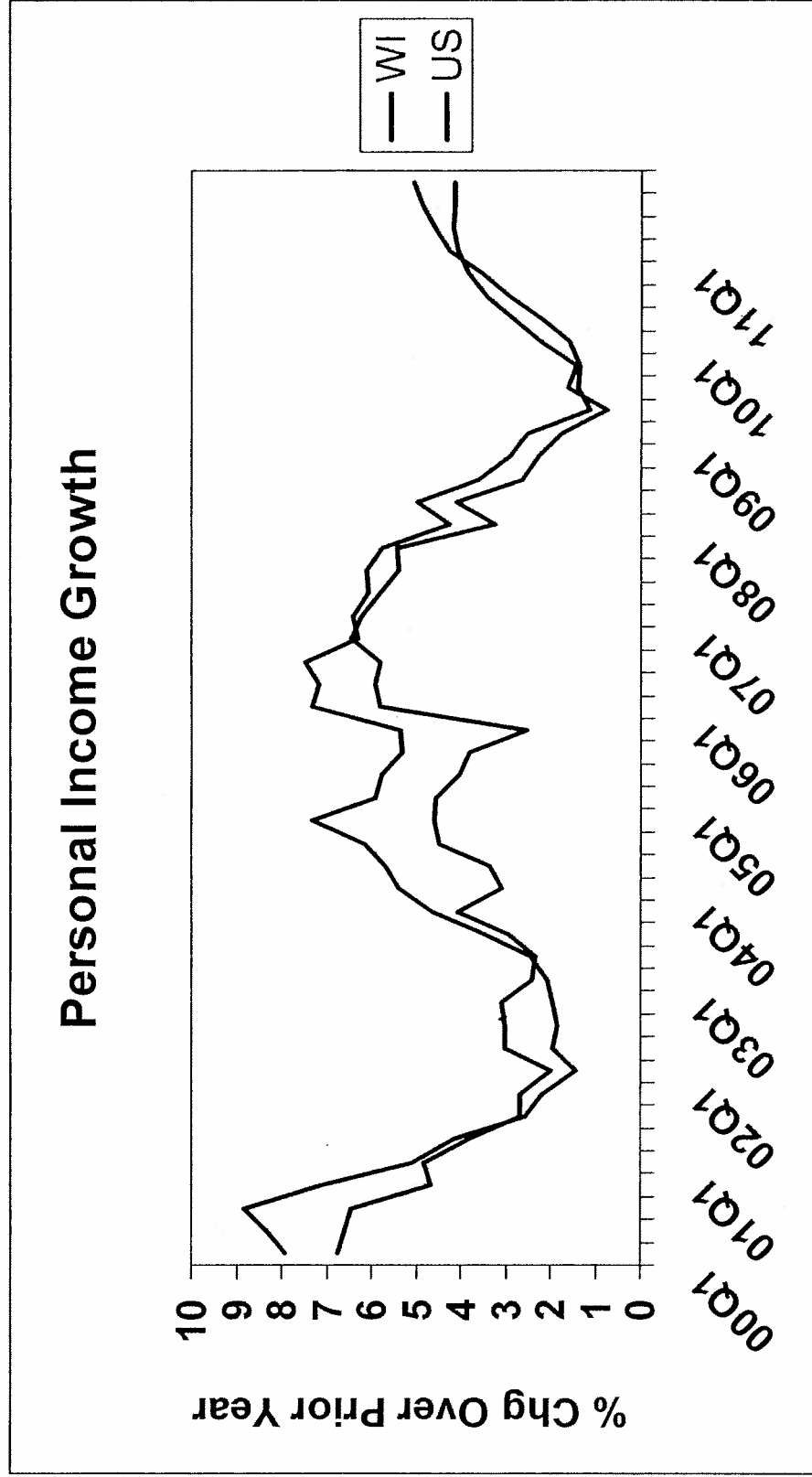
# Wisconsin Income Outpaces US in 2010



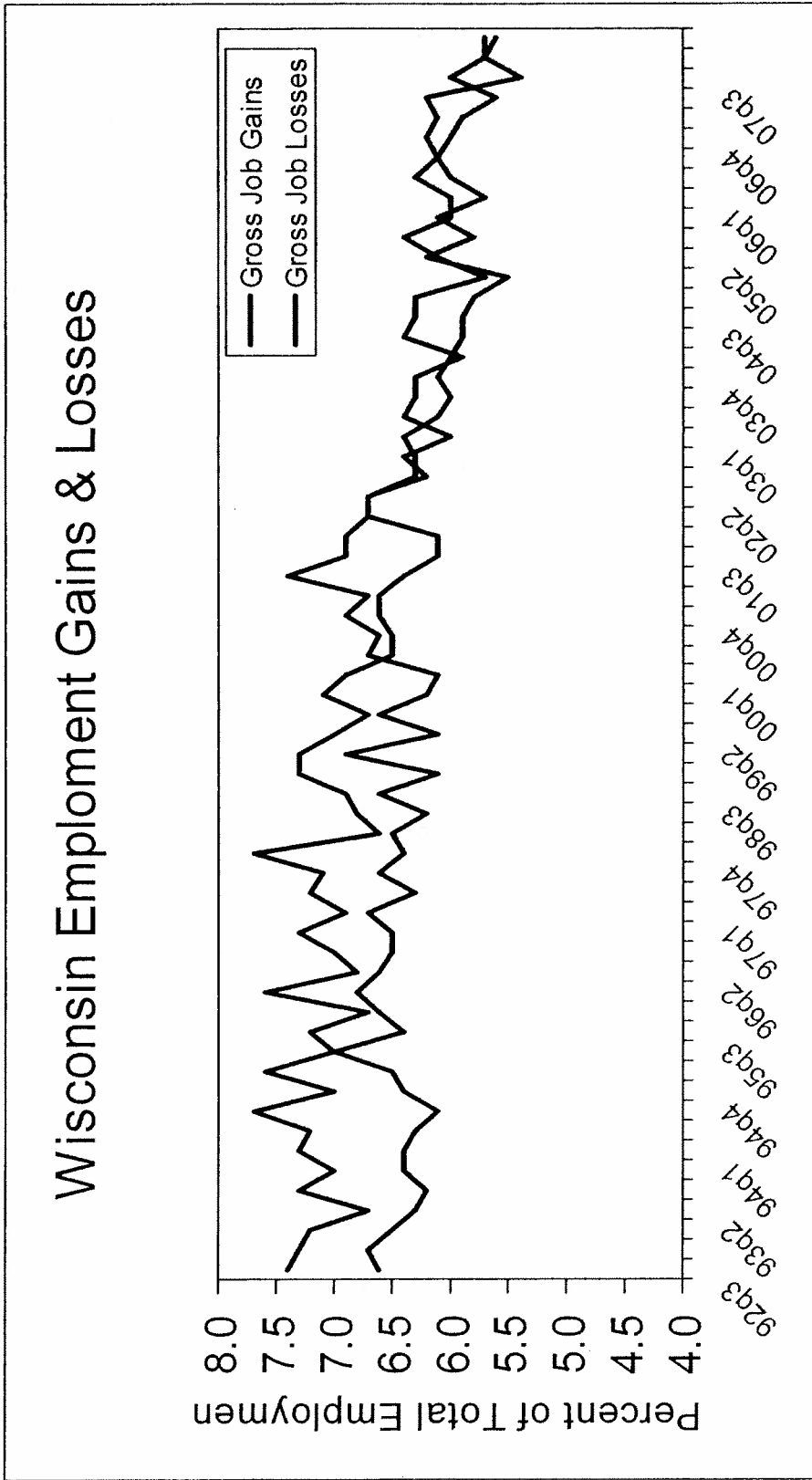
# Employment Gains in 2010 Lifts Wages and Salaries



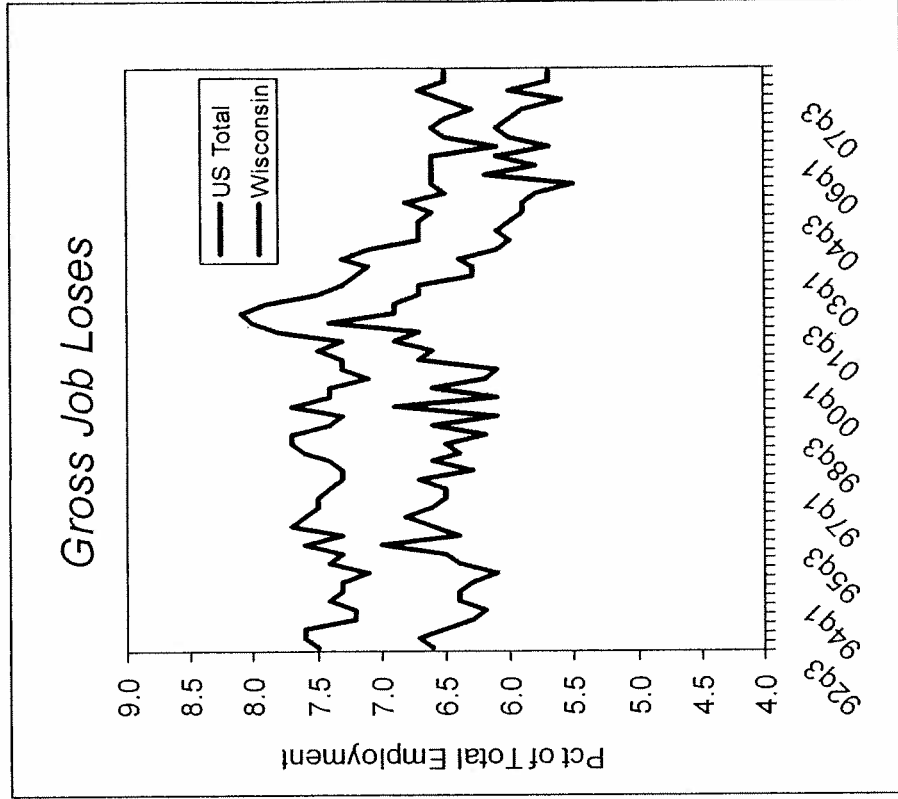
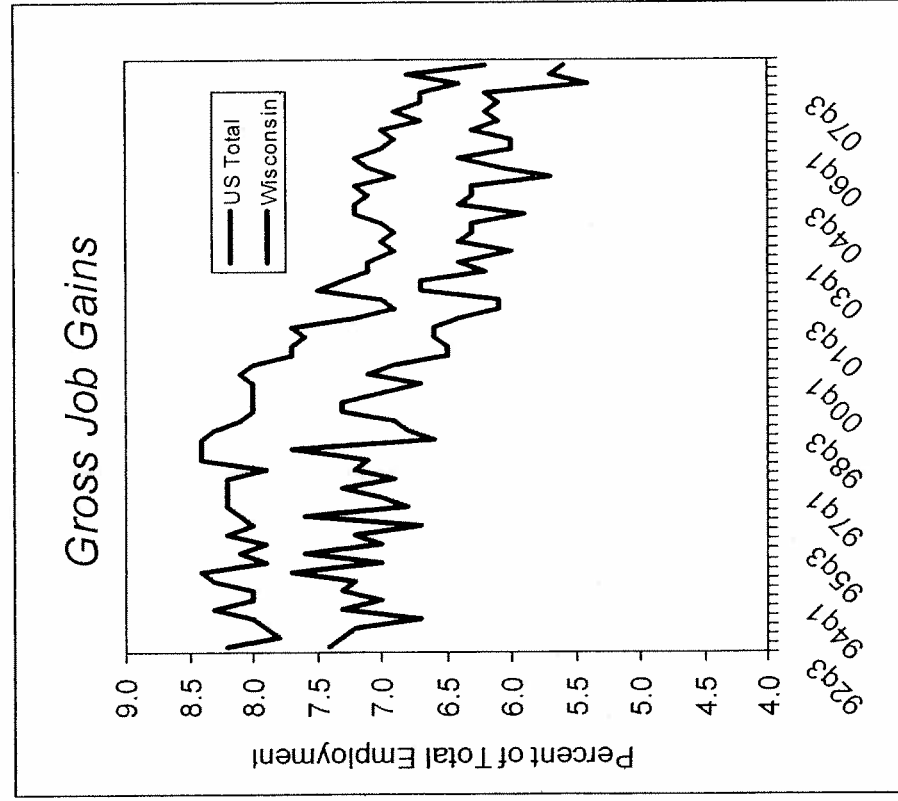
# Rising Wages and Salaries Lifts Personal Income in 2010

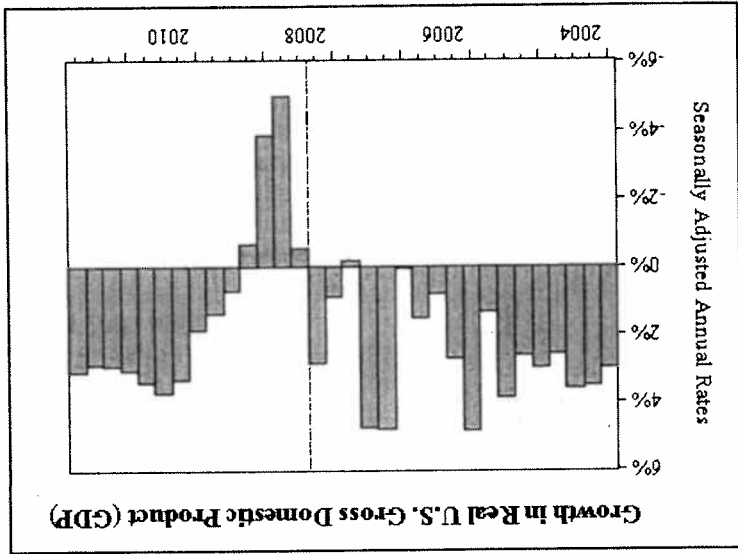


# There Are Employment Gains and Losses In Any Economy



# Wisconsin Gains/Loses Parallels the US Experience





The National Bureau of Economic Research recently stated that the U.S. economy has been in recession since December 2007. Current trends of key state economic indicators show that Wisconsin is also in a recession. The outlook has changed significantly since August, and most of the economic decline in the current cycle will occur during 2009. Housing continues as a drag on the economy, but the drastic worsening of the credit market since September has severely affected most economic sectors, expanding the crisis beyond the originally damaged housing sector. The December national outlook is calling for a real GDP growth rate of 1.2% in 2008 and a decline of 1.8% in 2009, revised down from August expectations. The U.S. labor market is now expected to shed a total of about 3.7 million jobs in the current downturn phase, representing an employment decline of 0.2% in 2008 and 1.9% in 2009 and 2009 respectively. The two major factors that have deepened the expected decline of the current cycle are the freezing of the credit market and the global character of the crisis. Exports had been an important sustainer for growth, but are losing steam as the world enters a recession. The dramatic decline of the global demand had slashed prices, particularly oil prices.

**U.S. economy, in recession since December 2007, has deteriorated rapidly**  
**Freezing of the credit markets and drop in foreign demand are major factors driving economic crisis**  
**Following national economy, state outlook has significantly worsened since August**  
**Wisconsin employment will decline before recovering in late 2010 while personal income growth will continue to stall**  
**National and state economic recovery expected to gain traction in 2010**

**Executive Summary**

**Wisconsin housing market hasn't yet hit bottom**

The housing sector in Wisconsin did not experience the exorbitant growth in past years as did other parts of the country, which will lessen the negative impact from the burst of the bubble. However, similar to the rest of the country, Wisconsin has not yet reached the bottom. Wisconsin building permits will continue to fall to an expected low in early 2009. Home sales in the third quarter of 2008 were down nearly 17% year over year. State home prices continue to decline, though not as sharply as the U.S. as a whole, with the median home price statewide down 5.3%.

Real per capita income in Wisconsin grew 2.4% in 2007 and is forecasted to decline 0.9% in 2008. Aided by the deflationary outlook in 2009, real per capita personal income will grow 1.5%. However, it is expected to grow at 0.6% in 2010 and 1.1% in 2011, as the economy slowly recovers and prices return to a normal pace of growth.

The steady growth of Wisconsin personal income shown over the last three years is expected to stall in 2008 and 2009. After posting 5.7% growth in 2007, Wisconsin personal income is expected to grow 3.1% in 2008 and 1.4% in 2009, with a mild recovery in 2010. Wisconsin real personal income grew in 2006 and 2007. The outlook for prices changed dramatically since August, as prices are dragged by extremely weak demand. State real personal income is expected to decline slightly in 2008 and grow 2.1% in 2009 despite the lower growth rate in personal income. It will show moderate positive growth in 2010 and 2011 as prices start to increase again.

**WI Personal Income Outlook**

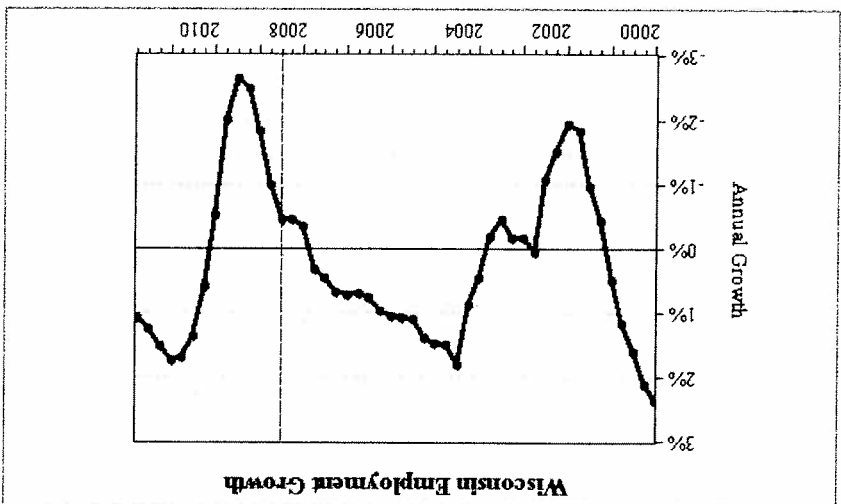
Wisconsin employment in the construction sector has been slowing since 2004, following a decline in housing starts. Employment in construction is expected to decline this year, followed by two more years of job losses before seeing positive growth toward the second half of 2010. The Wisconsin unemployment rate was 4.9% in 2007 and 5.0% in the third quarter of 2008. However, these estimates are expected to be revised up next March. The forecast is calling for a peak unemployment rate of 8% in late 2009 and early 2010.

**WI Employment Outlook**

Total state employment grew 0.5% in 2007, but is expected to decline 0.6% in 2008 and 2.2% in 2009. It will recover a growth path toward 2010, posting a growth rate of 0.8% in 2010 and 1.4% in 2011. The employment decline for 2009 is mainly driven by sizable job losses in the Construction, Manufacturing, Trade, Transportation and Utilities; and Professional and Business Services sectors.

The two largest state employment sectors, Manufacturing and Trade, Transportation and Utilities, are expected to post the largest job losses in 2009. Manufacturing will continue to shed jobs in 2010 before recovering in 2011, with job losses similar to those of the 1981-82 and 2001 recessions.

Trade, Transportation and Utilities showed weak but positive growth over the last four years, but given the visible weakness of domestic demand, the forecast calls for a decline this year and next. A recovery in this large sector will begin in 2010.



Wisconsin Employment Growth

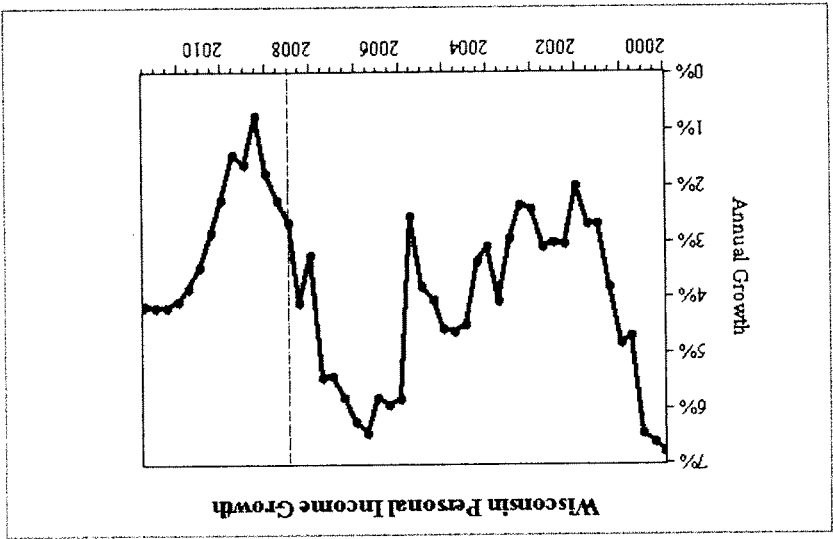


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**Questions?**

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  
 Read the press release



The nation is 12 months into this recession and the economy's rate of decline is accelerating. Real GDP will likely drop 5.0% in the fourth quarter. The December forecast expects negative growth through mid-2009, and only aemic positive growth in the second half, which would put the national

Oil prices have plunged dramatically. At the time of the August release, oil was trading around \$133/barrel; currently, it is below \$50/barrel. The Federal Reserve must now change focus from inflation risks to deflationary pressures.

The forecast expects the unemployment rate to peak at 8.7% in the first half of 2010; in the August Outlook, national unemployment was expected to peak at 6.1% during 2009. The economy is now expected to lose a total of 3.7 million jobs versus a decline of 900,000 jobs in the August forecast.

The national outlook has worsened dramatically since August. The growth forecast for 2009 is now minus 1.8%, rather than a positive 1.0%.

**U.S. Outlook**

recession's length at somewhere between 18 and 24 months. The longest previous postwar recession lasted 16 months. In terms of depth, the baseline forecast projects a 2.5% decline in real GDP, similar to the 1973-75 and 1981-82 recessions. The fallout from the financial crisis is becoming more severe. Consumer spending is plunging. Housing starts and prices continue to decline, with no end in sight. The key ISM-manufacturing index is at a level last seen in 1981; business equipment orders are plunging, with both domestic and export demand evaporating. And the decline in the labor market has accelerated, with November's 533,000 payroll decline the worst in 34 years.

**Key U.S. Forecast Assumptions**

- > Fiscal Stimulus Package Worth \$550 Billion
- > Implementation of Troubled Asset Relief Program
- > Oil Prices Drop Below \$40/Barrel
- > Fed Cuts Rates to Zero
- > Dollar has Bounced
- > Foreign Growth Weakening Rapidly
- > Defense Spending Growth Quikens