Wisconsin Economic Situation and Outlook

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On average, economists polled by the WSJ say there is a 24% chance of a recession this year.

Source: Wall Street Journal
GDP is predicted to grow at nearly 1.9% through 2020.

Source: Wall Street Journal
Wisconsin GDP growth has typically been below the national average.

Source: FRED
Most places in Wisconsin are doing well, but not all are doing equally well.

Source: BEA
Employment growth is forecasted to slow in 2020.

Source: Wall Street Journal
3.2 out of every 10 new jobs in Wisconsin are in a new business.

Source: SUSB Employment Change Tables, 2015-2016
The rate of new business creation has been falling.
The unemployment rate is expected to increase over the next three years.

Source: Wall Street Journal
There are not enough unemployed people to fill all of the job openings.

Source: BLS
Wisconsin has limited capacity to replace retiring workers.

Source: Wisconsin Department of Administration
Wisconsin employers are looking for labor pools.
Key Points

- Economy is performing at a slow and steady pace.
  - Variation within the state.

- Job growth expected to slow and unemployment rate expected to rise.
  - Higher rates of entrepreneurship to spur continued job growth.

- Tight labor market in the state.
  - Workforce is aging.
  - Thinking about potential labor pools.
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Forecasted Inflation Rate

Source: Wall Street Journal
Forecasted Federal Funds Rate

Forecasted Economic Growth:
Federal Funds Rate

Source: Wall Street Journal
2019’s Yield Curve Inversion Means A Recession Could Hit In 2020

A Recession Warning Reverses, but the Damage May Be Done

Investors are feeling better about the economy, but the yield curve has already predicted a recession.

The Yield Curve Is No Longer Inverted: Has The U.S. Economy Dodged The Recession Bullet?

The yield curve's still weird. Fed's Bullard is okay with that
A “yield curve” shows the price of borrowing money. A typical yield curve is upward sloping (shown in blue).
An inverted yield curve (shown in red), suggests people are more worried about the short-run and view the long-run as the relatively safe investment.
Historically (the last 3 recessions), an inverted yield curve was a leading indicator of a recession.

A recession followed 8-18 months from initial inversion.
  • Some analysis predicts it takes upwards of 22 months.

Most recently the yield curve inverted in spring of 2019 and lasted 4.5 months.
  • Following historical trends and analysis, a recession would come between January 2020 and June 2021.

Is this time different?
  • Interest rates are much lower now.
  • Foreign investment.

The Yield Curve