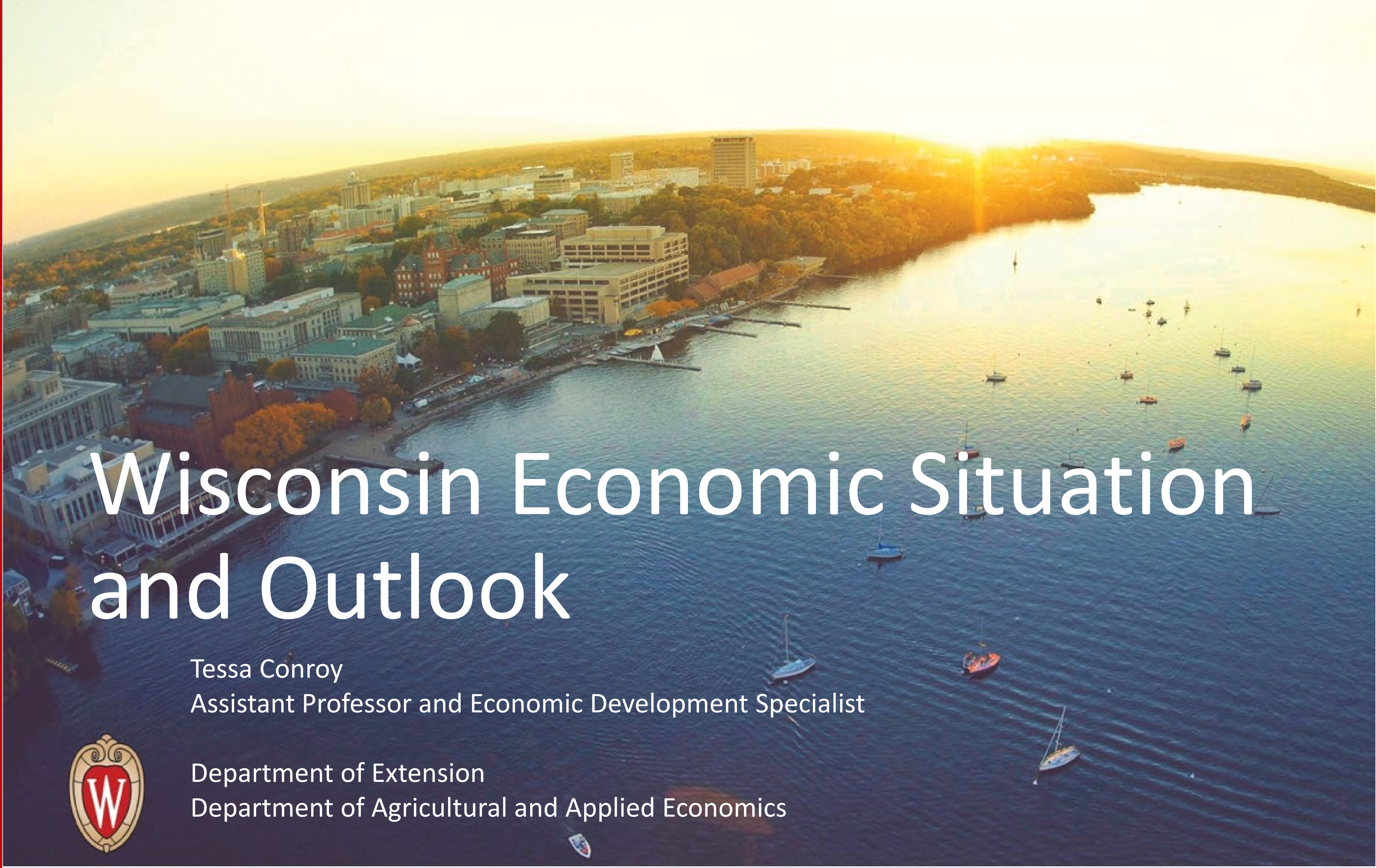

Wisconsin Economic Situation and Outlook

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Department of Extension
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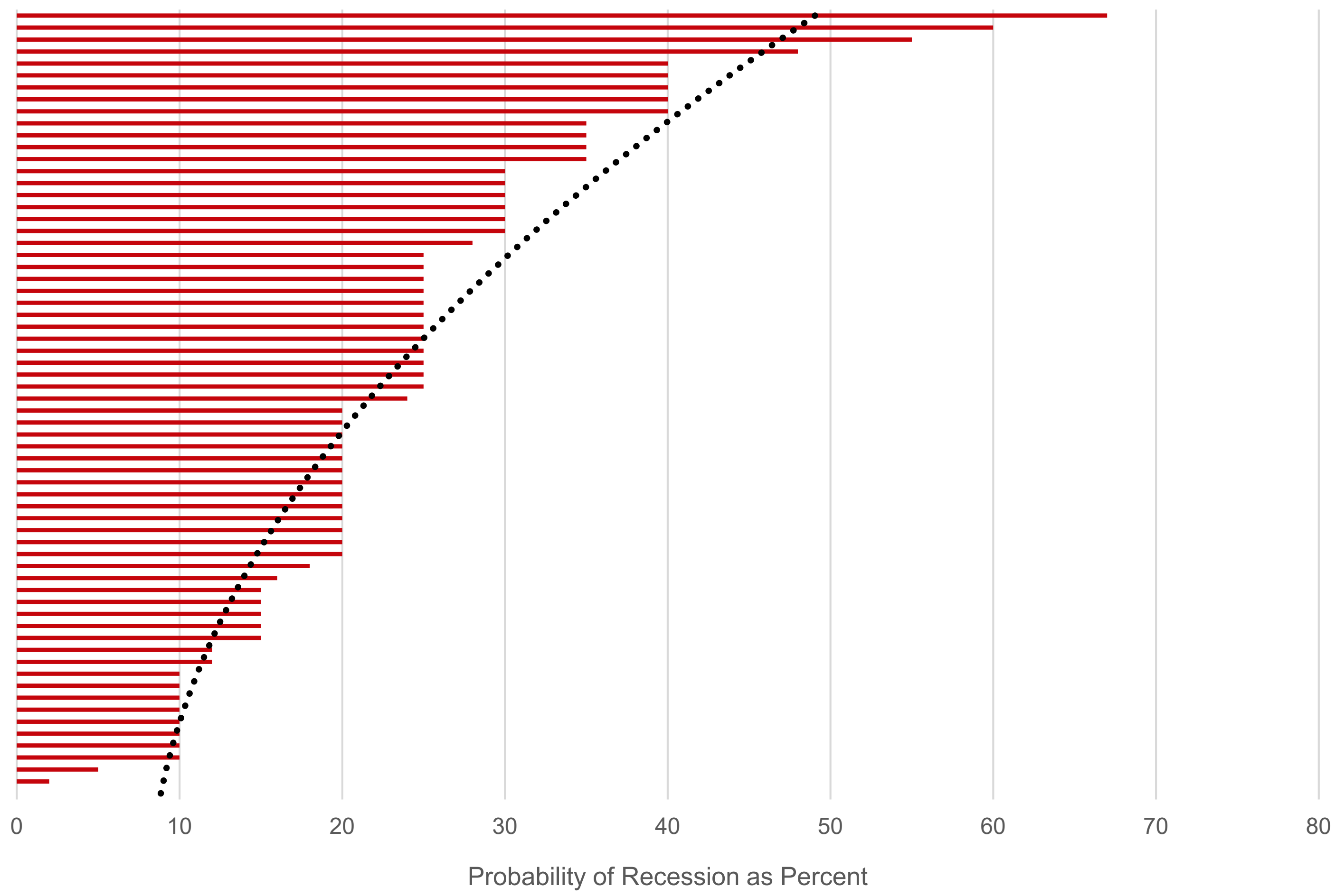
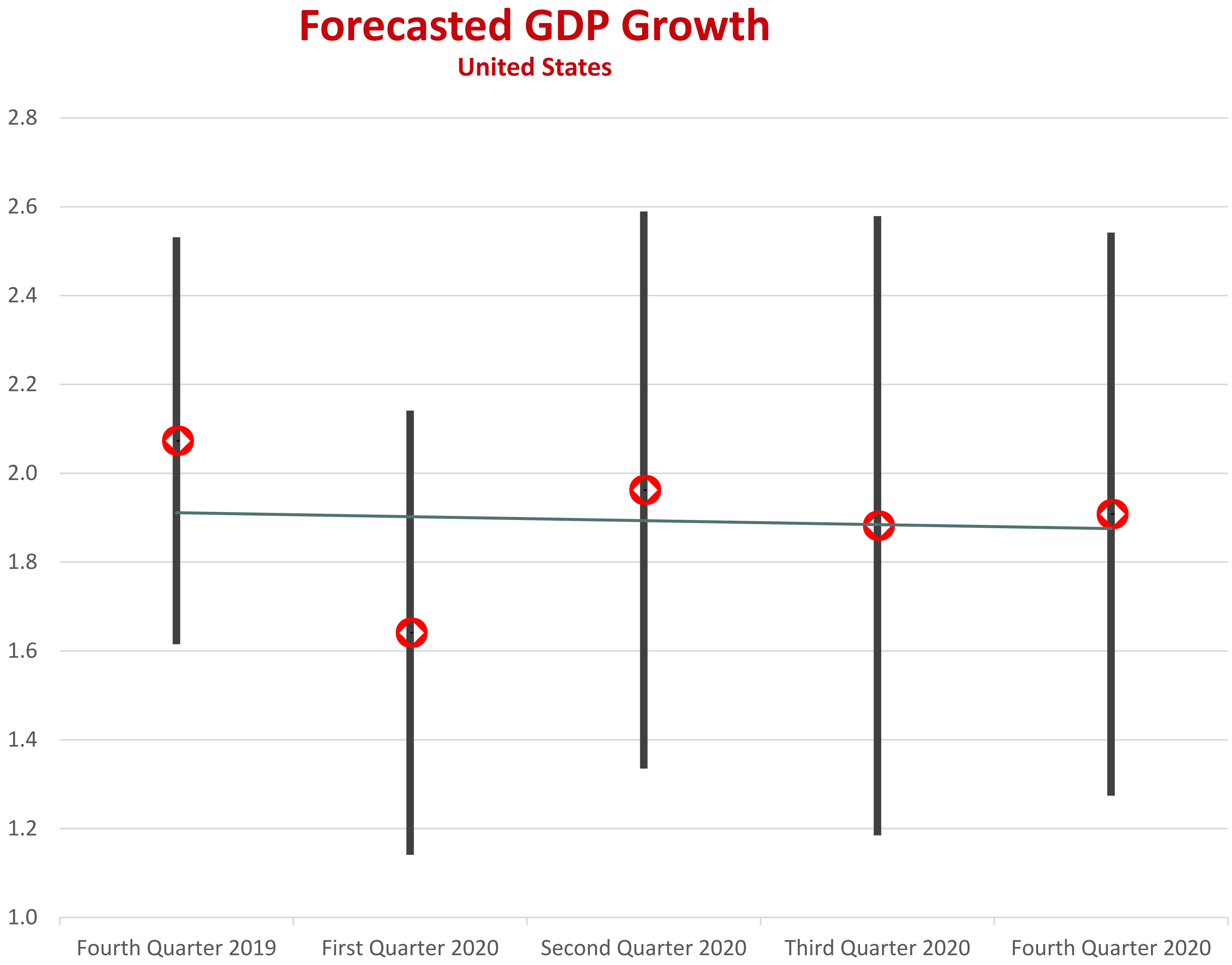
Probability of a Recession in Next 12 Months

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



Source: Wall Street Journal

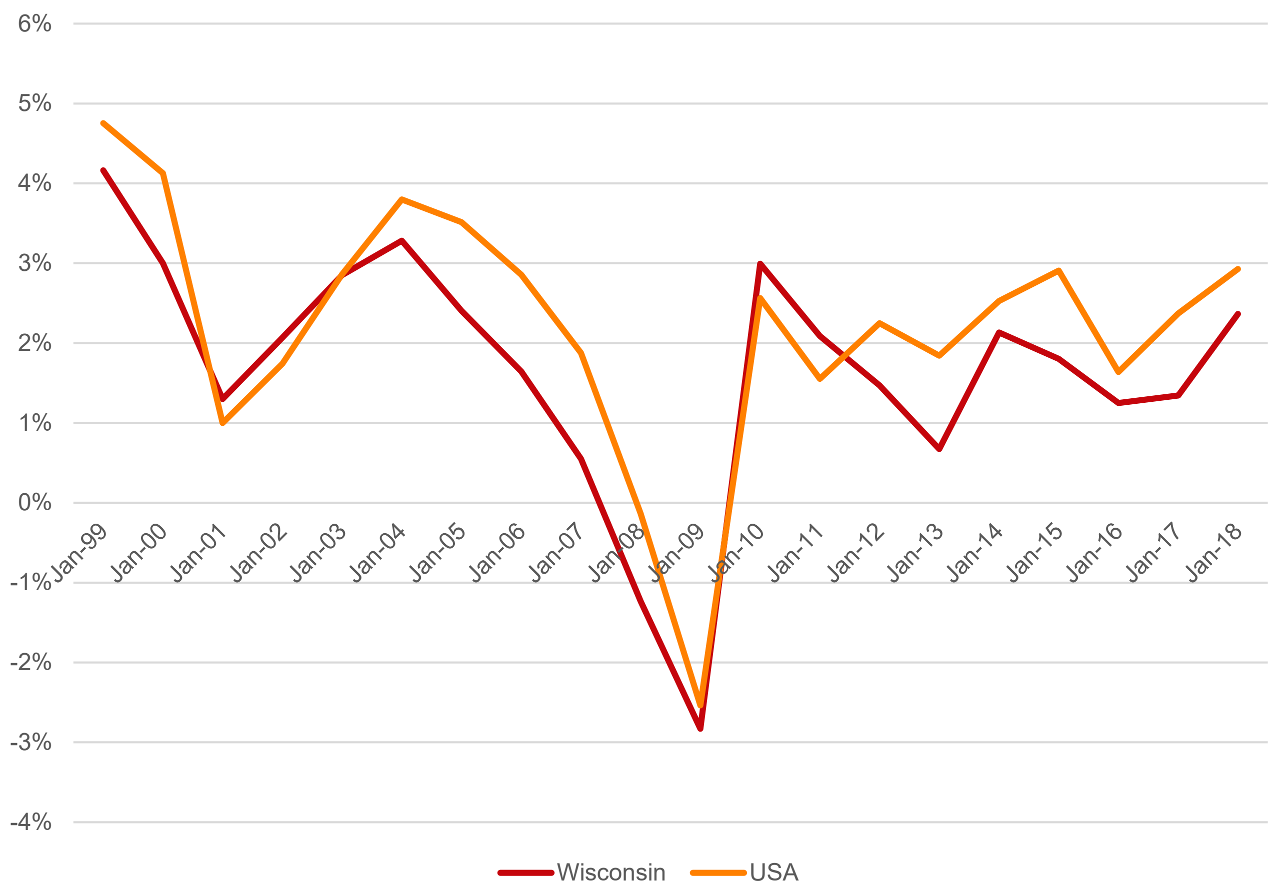
GDP is predicted to grow at nearly 1.9% through 2020.



Source: Wall Street Journal

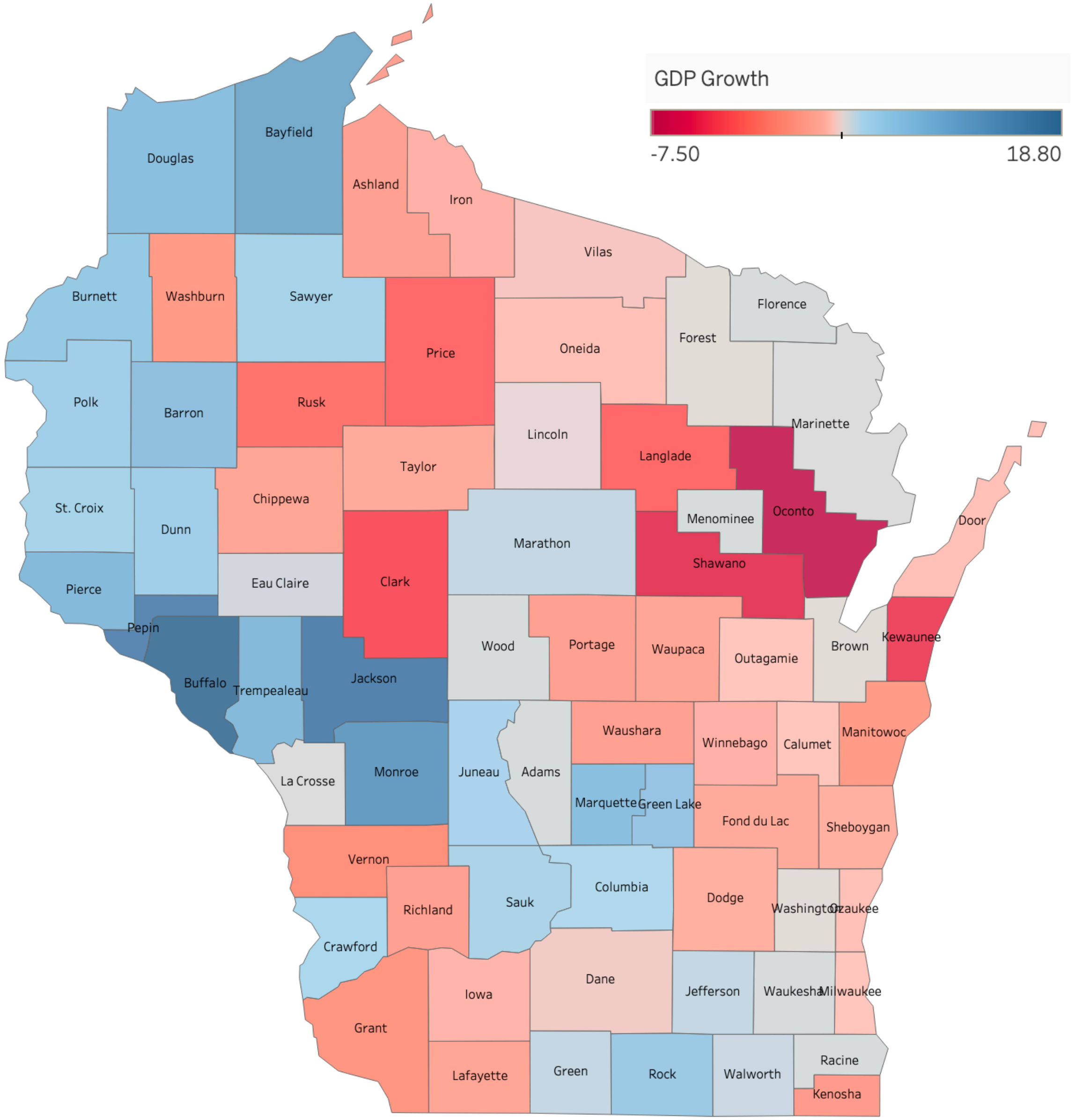
Wisconsin GDP growth has typically been below the national average.

Historical GDP Growth



Source: FRED

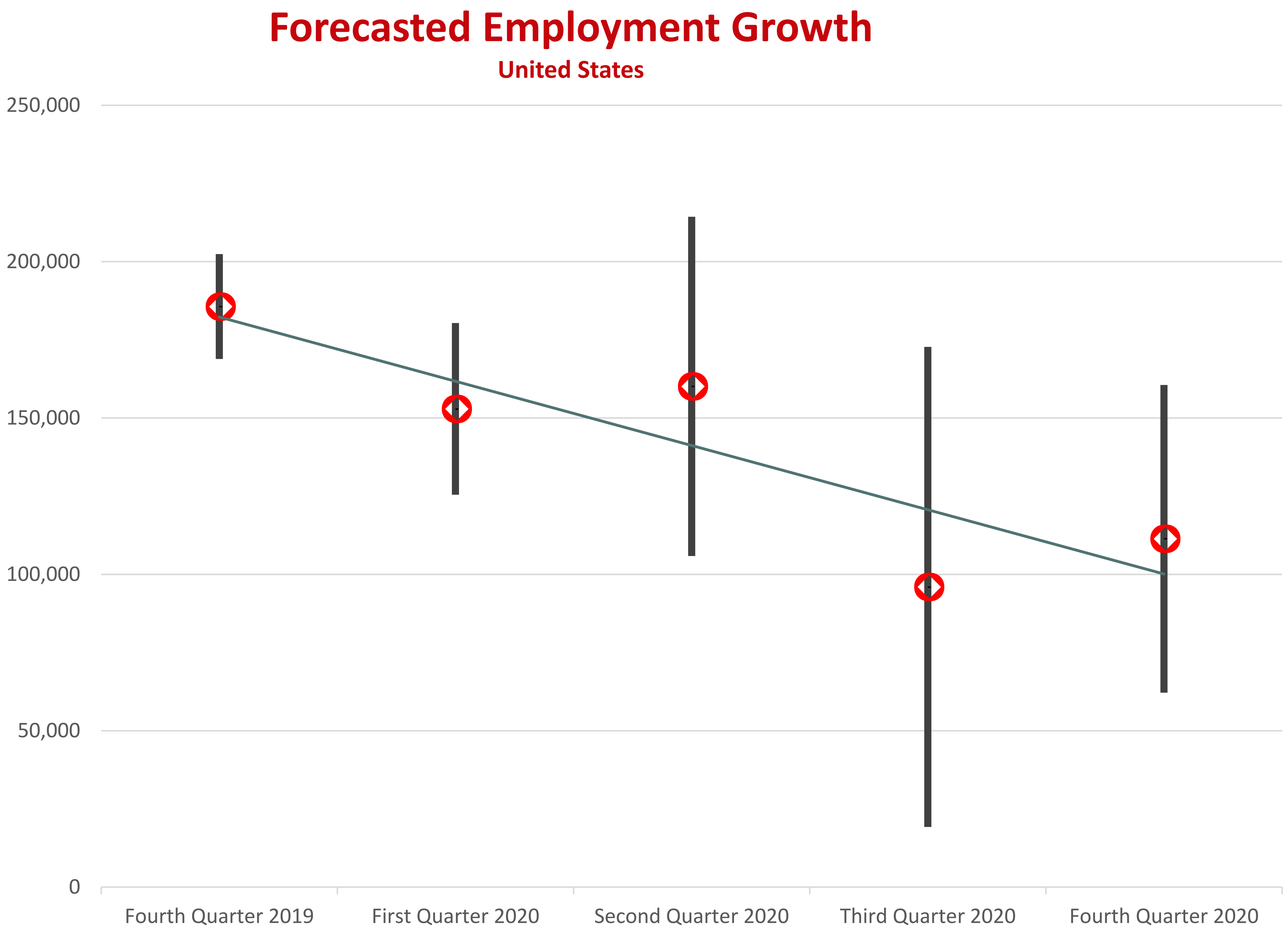
County-Level GDP Growth
Wisconsin 2017-2018



Most places in Wisconsin are doing well, but not all are doing *equally* well.

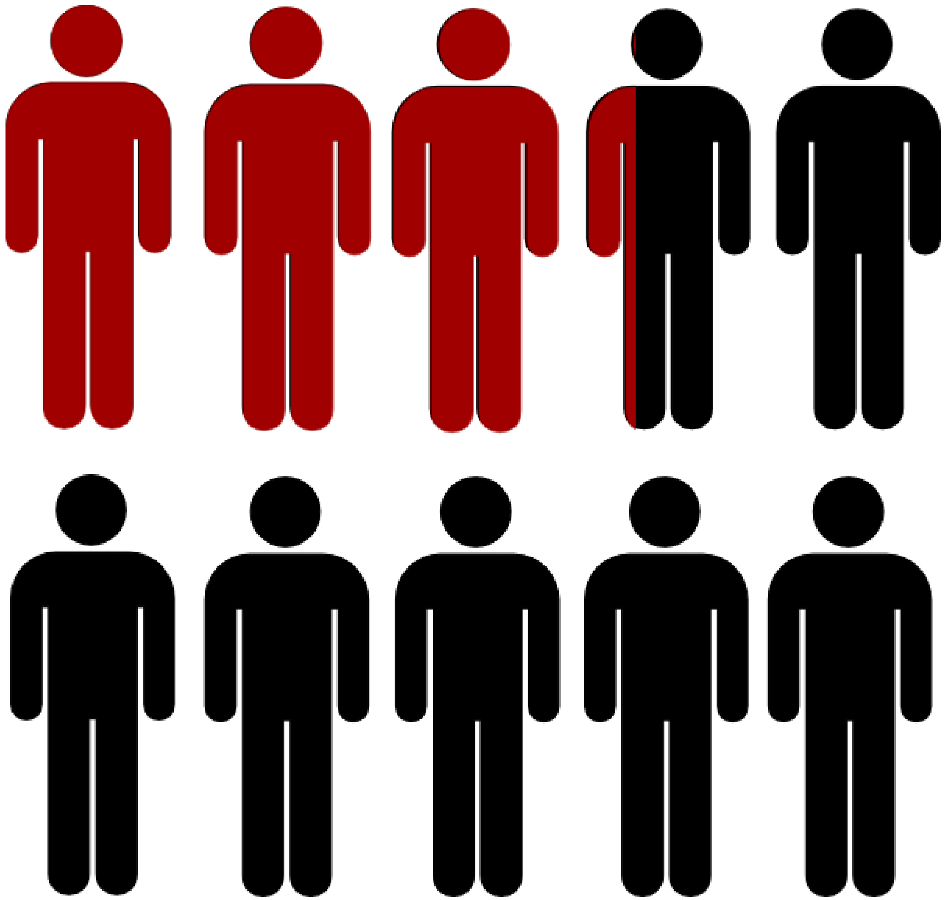
Source: BEA

Employment growth is forecasted to slow in 2020.



Source: Wall Street Journal

Employment Growth

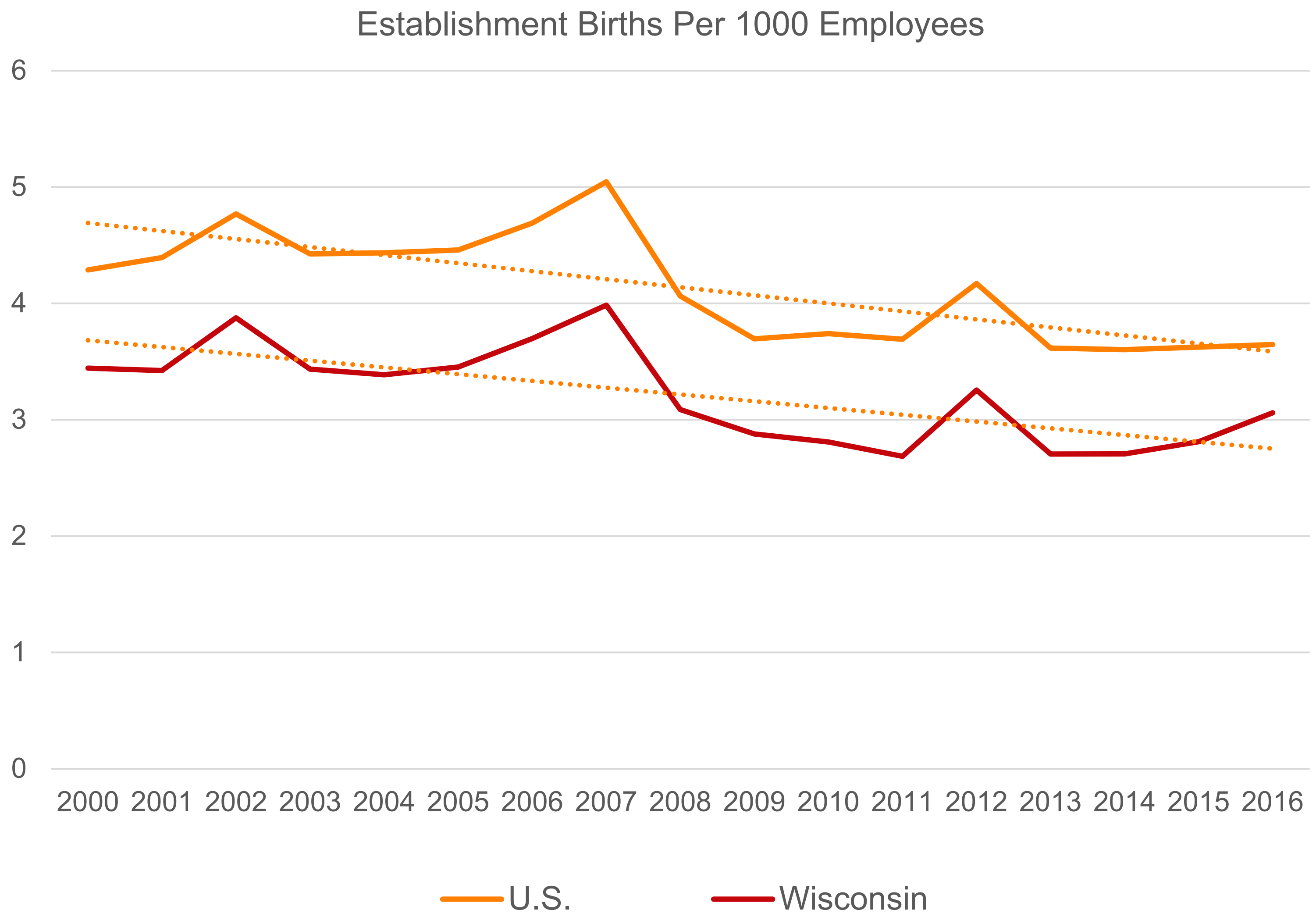


3.2 out of every 10 new jobs in Wisconsin are in a new business.

Source: SUSB Employment Change Tables, 2015-2016

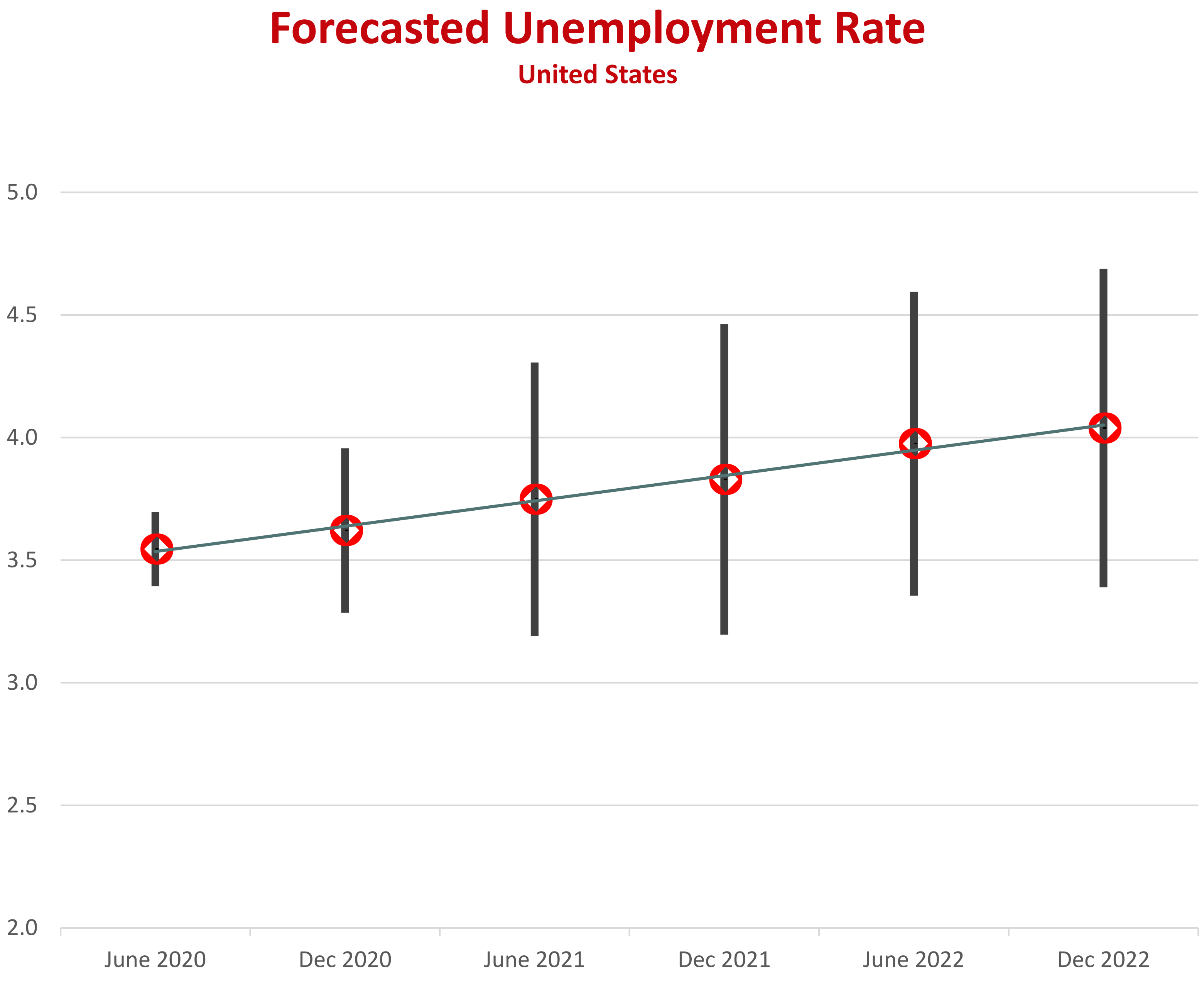
Employment Growth

The rate of new business creation has been falling.



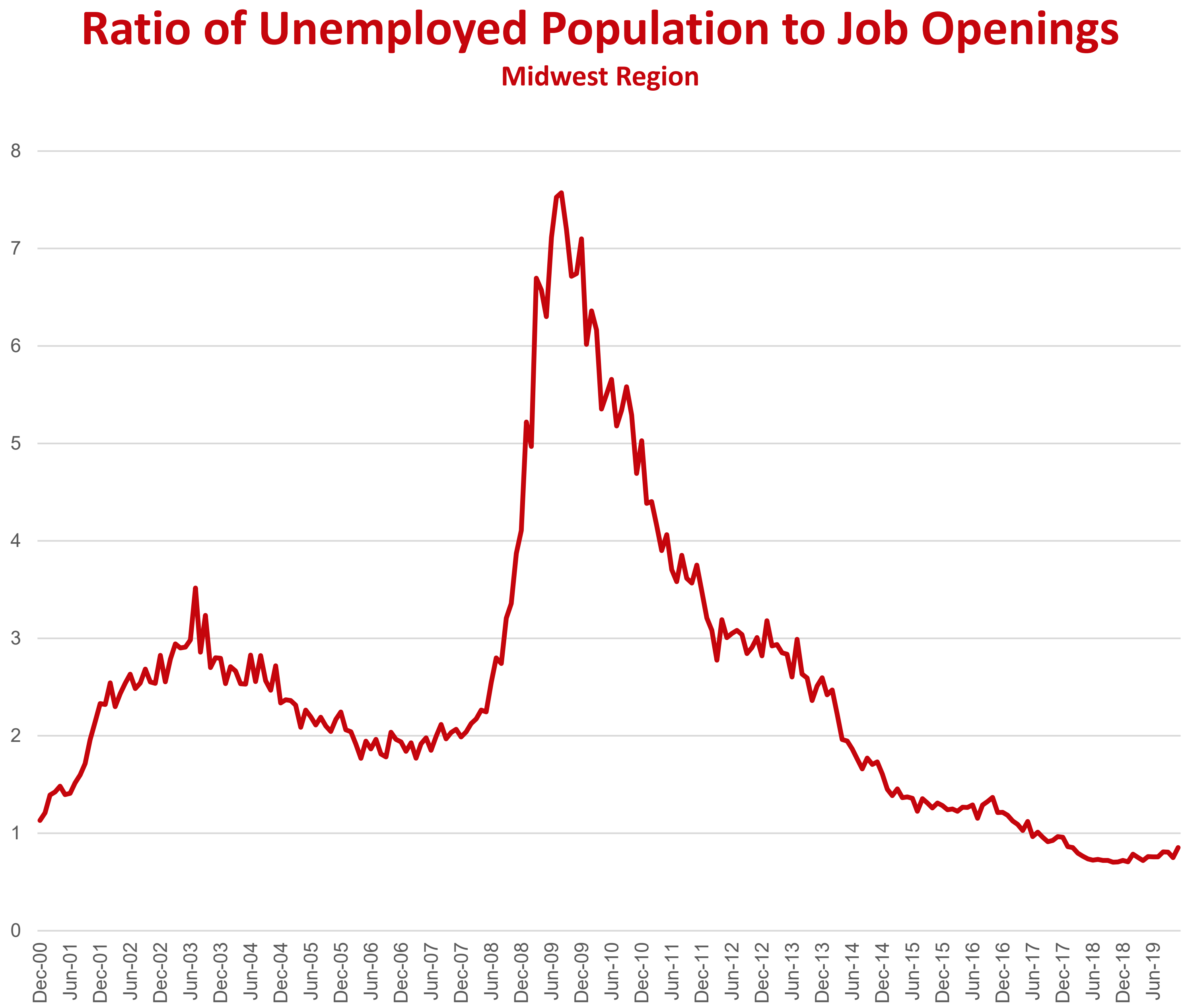
Source: SUSB Employment Change Tables, 2015-2016

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.

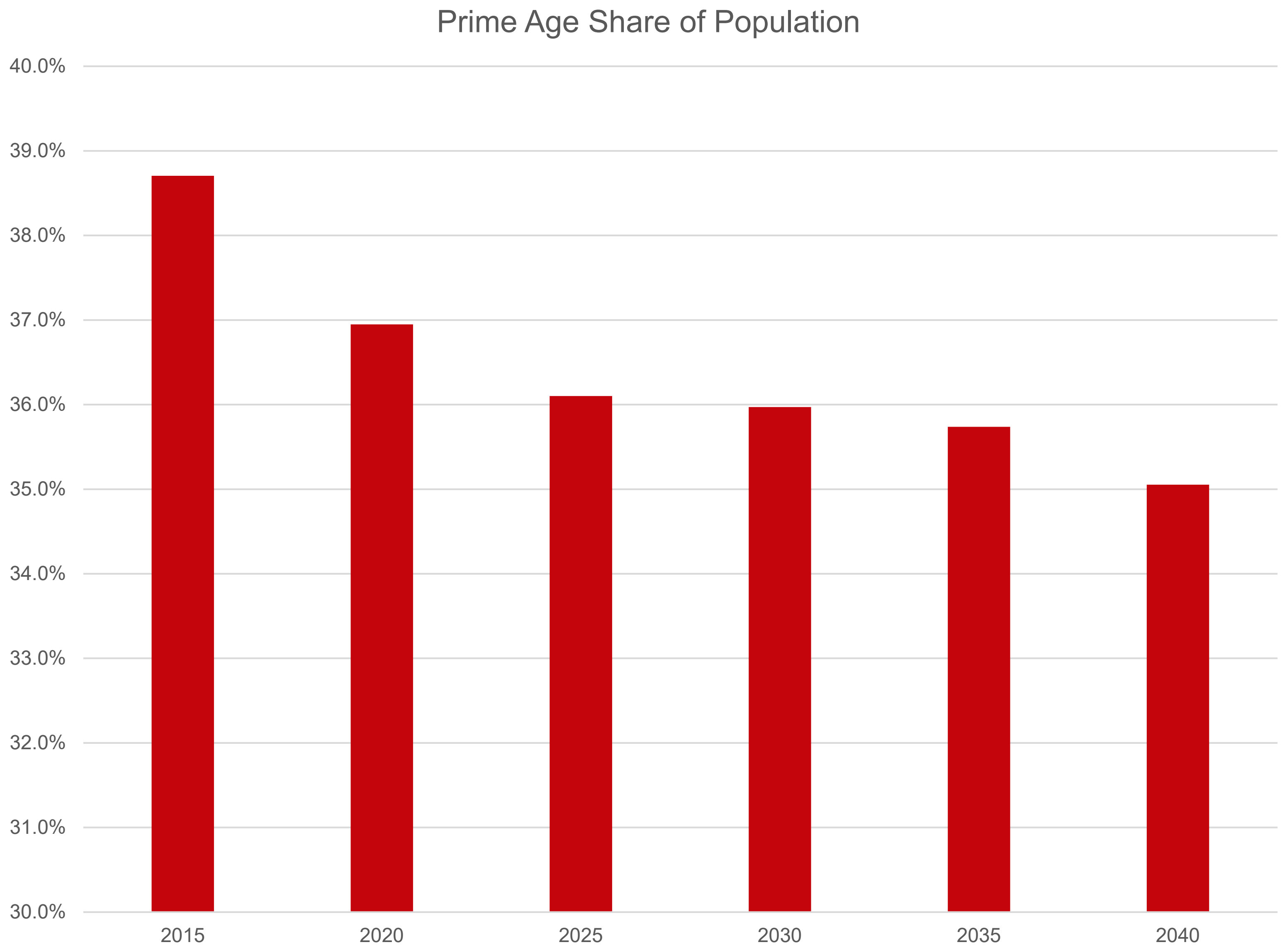


Source: BLS

Aging Demographics

Wisconsin

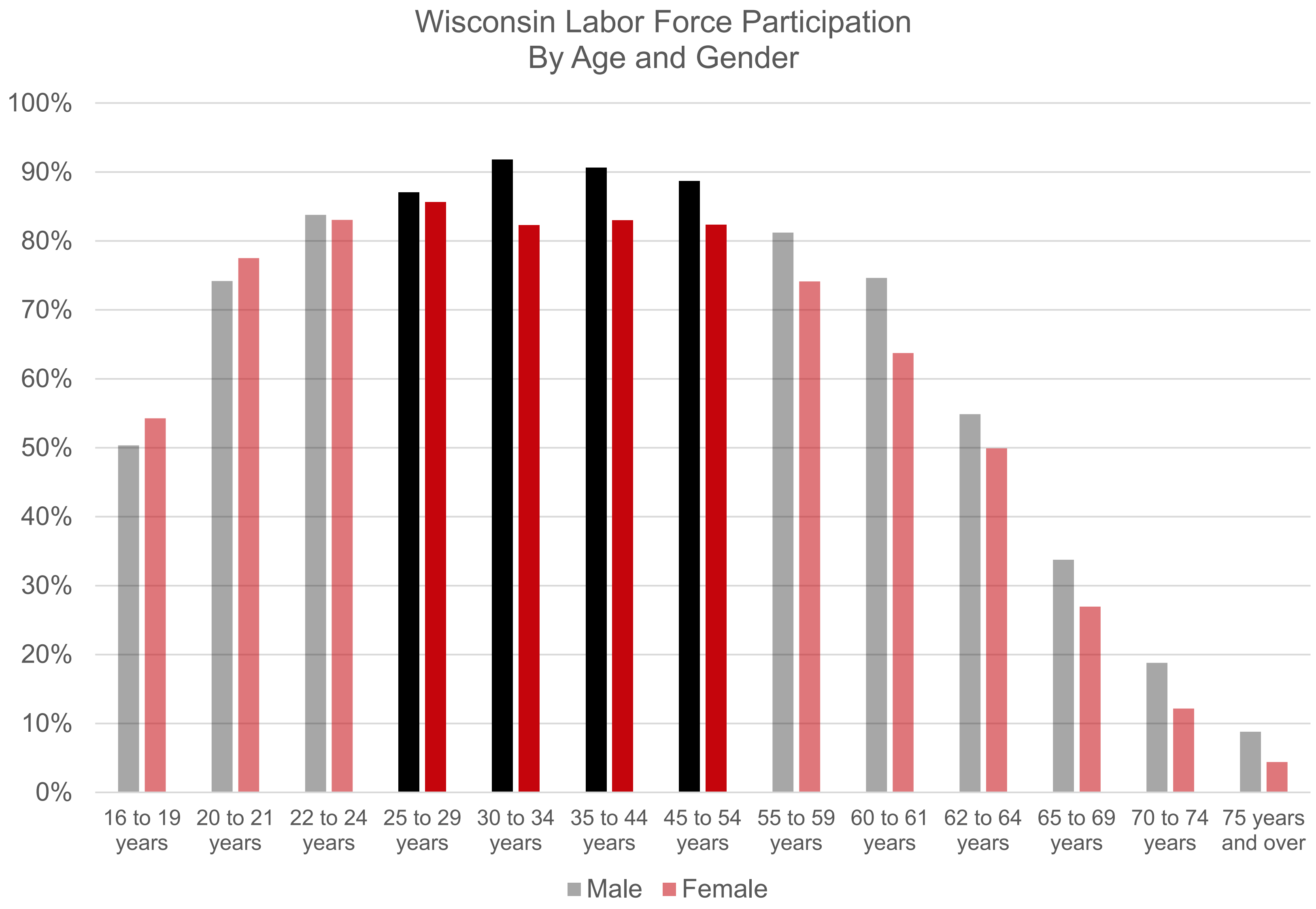
Wisconsin has limited capacity to replace retiring workers.



Source: Wisconsin Department of Administration

Potential Labor Pools

Wisconsin employers are looking for labor pools.



Source: American Community Survey, 2017

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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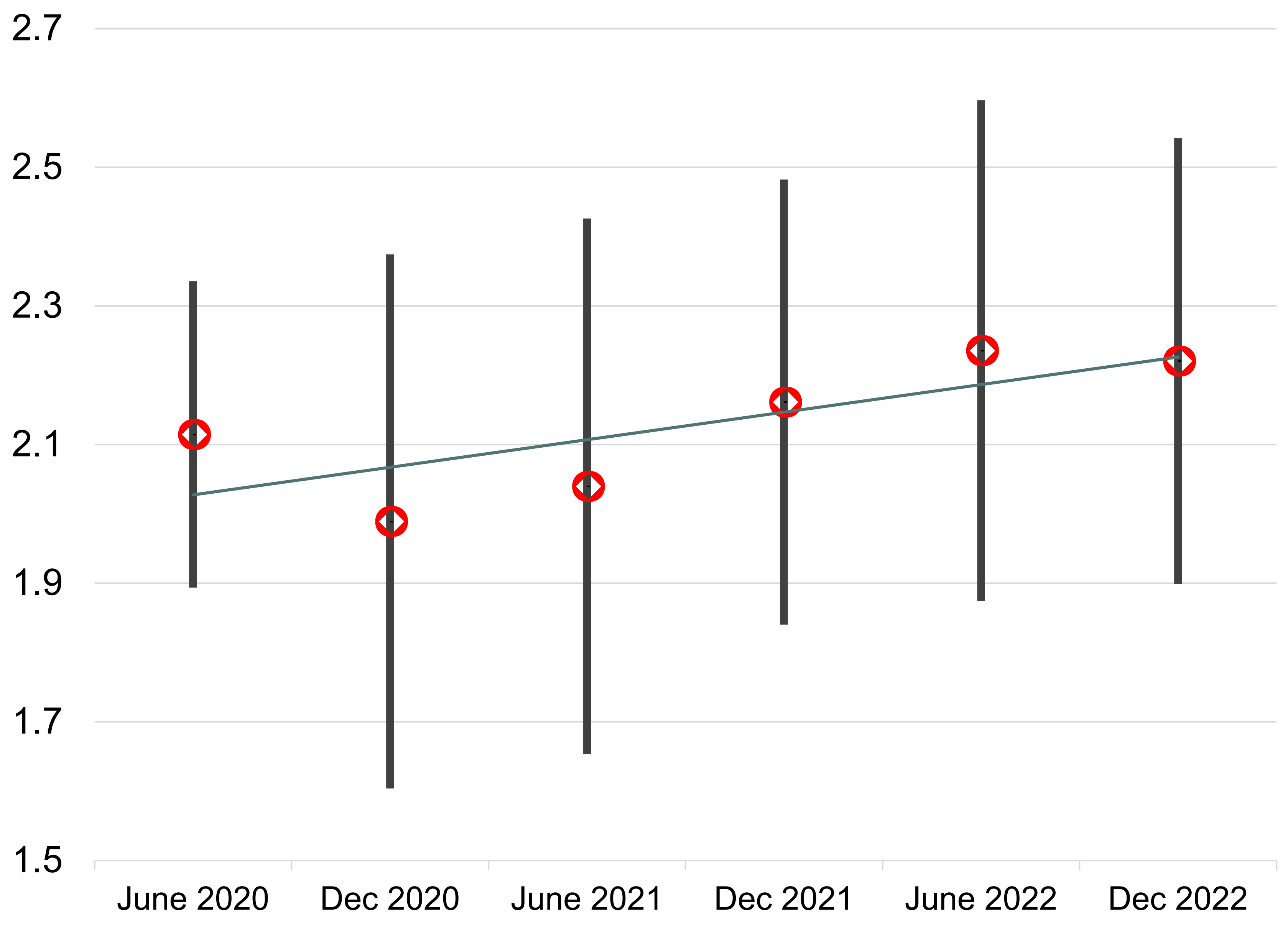
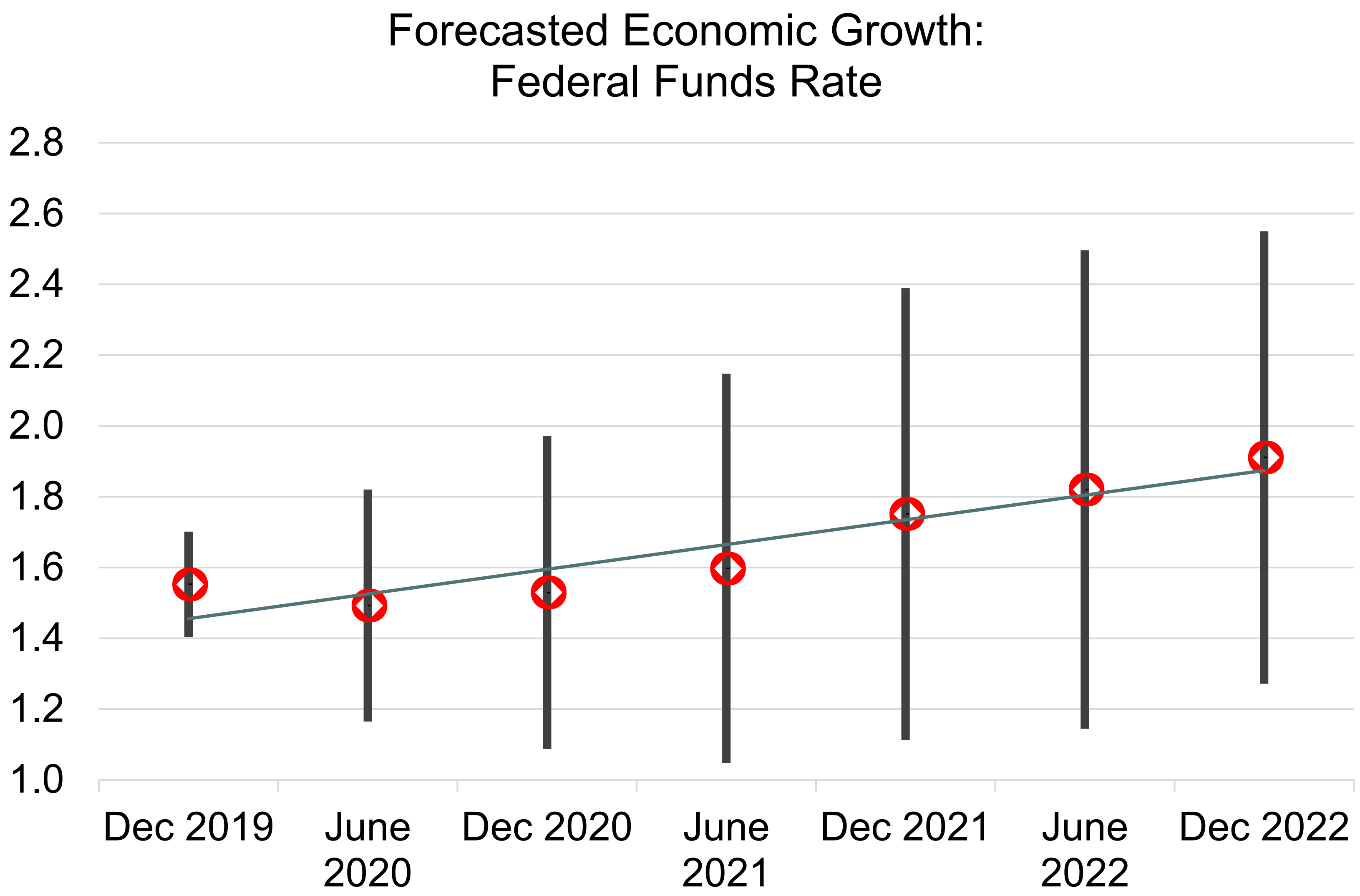
Forecasted Inflation Rate



Source: Wall Street Journal

Forecasted Federal Funds Rate



Source: Wall Street Journal

The Yield Curve

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2019's Yield Curve Inversion Means A Recession Could Hit In 2020

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

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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.

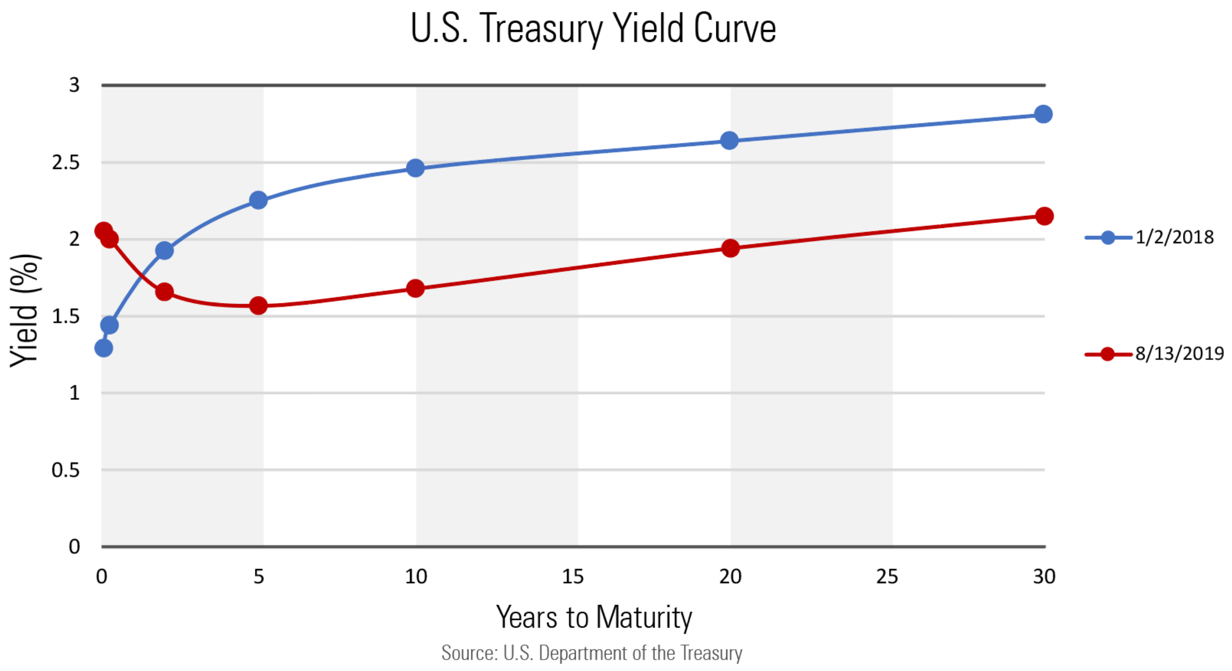
BUSINESS NEWS JANUARY 17, 2020 / 6:14 AM / 4 DAYS AGO

The yield curve's still weird. Fed's Bullard is okay with that

The Yield Curve

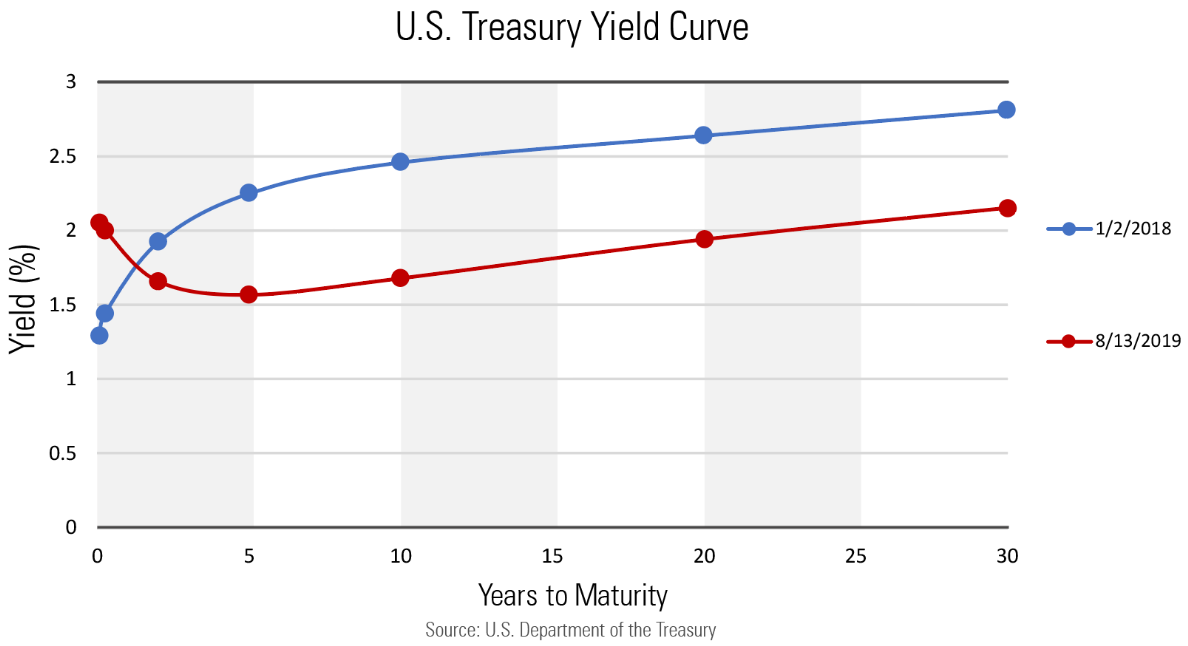
A "yield curve" shows the price of borrowing money.

A typical yield curve is upward sloping (shown in blue).



The Yield Curve

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.



The Yield Curve

- 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.