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WISCONSIN ECONOMIC REPORT
A compilation of sector forecasts from industry experts.

Wisconsin Bankers Association

Strong 2018 for Wisconsin Banks ...if Congress Cooperates

By Rose Oswald Poels, WBA President and CEO

The banking industry continues to be a central player in driving economic growth across the state. Through the third quarter of 2017, Wisconsin's 212 headquartered financial institutions held well over $80 billion in net loans and leases, an improvement of over 5% from the prior year. This steady, continued growth in the industry's loan portfolio coupled with a similar steady decline in noncurrent loans and leases is evidence to support the fact that Wisconsin's economy is healthy and growing.

Nearly 99% of Wisconsin's headquartered financial institutions are profitable as of the third quarter of 2017, and nearly 64% of these same institutions saw earnings gains. Lending by Wisconsin headquartered financial institutions is up year-over-year in almost all categories, according to third quarter 2017 numbers released by the Federal Deposit Insurance Corporation (FDIC). Total deposits at these same financial institutions is also up from the prior year to a total of nearly $88 billion. Financial institutions continue to be trusted by consumers to protect their hard-earned money which is evidenced by the continued growth in total deposits. Given the health of our state's economy and the attraction of new businesses to our state, I expect these trends to continue at a steady pace in 2018.

Average net interest margin, which is a key measure of bank profitability, continues to hold steady in the third quarter of 2017 at 3.46% for Wisconsin headquartered financial institutions, higher than the national average of 3.30%. Looking ahead to 2018, I expect there to be continued steady interest rate hikes by the Fed under incoming Chair **Jerome Powell** in 2018 as his philosophy related to interest rate hikes is similar to that of current Fed Chair **Janet Yellen**. As interest rates continue to rise, this presents challenges for Wisconsin's financial institutions as their core funding costs will continue to rise against a larger portfolio of long-term assets. As of the third quarter of 2017, the cost of funding earning assets grew to .50% while the long-term assets (5+ years) on the books of these financial institutions increased nearly 7% from the prior year. In addition, traditional financial institutions face growing competition from unregulated online lenders, tax-advantaged institutions, and certain fintech companies.

Merger and acquisition (M&A) activity among Wisconsin's financial institutions continues, and I expect the pace to increase in 2018 compared to 2017. The number of headquartered financial institutions in Wisconsin fell in the third quarter of 2017 from the prior year by 6.6%, from 227 to 212. This was largely due to the heavy pace of M&A activity that was announced in calendar year 2016. At that time, heavy regulatory burden and rising technology and compliance costs, coupled with succession issues and general fatigue among bankers contributed to the pace of M&A activity.

In 2018, I am hopeful that we will begin to realize the easing of regulatory burden as well as tax relief with the passage of prudent reforms in Congress. These actions will help contribute positively to the earnings of financial institutions, which may help drive stronger M&A activity. In addition, those institutions with very strong core deposits will become increasingly attractive to institutions that don't have high core deposits as a way to satisfy funding

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Wisconsin REALTORS® Association

Wisconsin Housing Market Fueled by Strong Demand but Weak Inventory

By Michael Theo, WRA President and CEO

The Wisconsin economy has been strong in 2017, with solid job growth, low unemployment, and low inflation. Specifically, total nonfarm jobs grew by 42,400 between October 2016 and October 2017, with 13,000 new jobs in manufacturing over that time period. The unemployment rate has been below 4% throughout the first 10 months of the year, which is considered full employment by economists. Finally, inflation is in check, with the annualized inflation rate at 2% in October 2017. The combination of a good economy and mortgage rates below 4% should have generated strong growth in home sales in 2017, but continued weak inventory levels, especially in the metropolitan areas, have kept sales only slightly ahead of the 2016 pace. Weak supply pushed home prices up at an annual pace of 6% for the first 10 months of 2017 relative to that same period in 2016. There were just 5.1 months of supply statewide in October, and only 3.9 months in the metropolitan areas of the state. Below six months is considered to be a seller's market. While the millennial generation is starting to move into owner-occupied housing, both the tight supply and continued high levels of student debt have driven national first-time home buyer rates to just 34% of all housing sales, according to the 2017 Profile of Buyers and Sellers conducted by the National Association of REALTORS®. This compares to a long-run average of 39%.

The national economy for the next year should remain strong, especially if the U.S. House and Senate can agree on a tax overhaul bill. The Fed remains committed to a restructuring of its balance sheet and slowly raising short-term interest rates. The nomination of **Jay Powell** to be the next Fed Chairman, succeeding **Janet Yellen**, suggests no radical change in Fed strategy under the new chairman. While the current economic expansion is 73 months in length, and the average post-war expansion has been 58.4 months, the last three expansions have averaged 95 months in length. Given the modest growth coming out of the Great Recession, and the tendency of the current administration to reduce regulation and cut taxes, the likelihood of a recession in the next year is remote. Indeed, the Philadelphia Fed's Survey of Professional Forecasters put the risk of negative growth in Real Gross Domestic Product at just 18.1% by the third quarter of 2018. In addition, the Conference Board reported at the end of October that Consumer Confidence had hit its highest level since December 2000. The state economy should remain healthy in 2018, and the combination of growth derived from expansions of Amazon and Foxconn as well as other existing firms in the state bodes well for continued economic growth.

The challenge for the state housing market for 2018 will be to mitigate supply constraints. There are three primary sources of housing supply: foreclosed properties, new construction, and new listings of existing homes. Foreclosures are thankfully at normal pre-recession levels, so they are no longer a major source of supply. New construction has been steadily improving, but has been constrained by labor shortages in the trades as well as restrictions on land development in some areas. Finally, many Baby Boomers have resisted moving post-recession, choosing instead to age-in-place. However, as this generation continues to age, health-driven housing transitions will move more of those homes onto the market. Modest improvement in new listings is likely over the next year.

The federal tax overhaul was still being debated at the time this article was written but many of the proposed changes with respect to residential real estate have met with strong opposition from the National Association of REALTORS®, homebuilders, and others. The impact of proposed changes in mortgage interest and state and local tax deductions may be less severe in Wisconsin than states where housing values are much higher because the current proposals cap the amount that can be deducted rather than eliminate them in total. Wisconsin has high property tax rates, but its median home prices are well below those seen in the heavily urbanized east-coast and west-coast markets, and the majority of homes would be below the cap-level on both mortgage interest and state and local tax deductions. A more troubling aspect of the proposal is the elimination of interest deductions on second homes, which could have significant ramifications on the northern regions of the state. Overall, if federal policymakers maintain the deductions on second homes, keep mortgage rates low, and reduce the tax and regulatory burden, and if state and local officials hold the line on property tax rates, 2018 is shaping up to be another solid year for the Wisconsin housing market.

Founded in 1909, the Wisconsin REALTORS® Association (WRA) is one of the largest trade associations in Wisconsin. It represents and provides services to more than 15,000 members statewide. WRA's goal is to promote the advancement of real estate in Wisconsin and provide cutting-edge tools to help REALTORS® enjoy a successful career and be competitive in their market.

Wisconsin Farm Bureau Federation

May the Best Navigator Win

By Dale M. Beaty, WFBF Chief Administrative Officer

In 1928, **John A. Shedd** wrote "a ship in harbor is safe, but that is not what ships are built for."

In 2017, Wisconsin agriculture isn't a small sailboat safe in harbor; it's a huge ocean-going cargo vessel carrying a variety of food and agricultural products across our nation and around the world. Annually, agriculture contributes $88.3 billion to the state's economy.

As we head into a new year, Wisconsin farmers face new challenges. Those farmers who best navigate the changing tides by using risk management tools will be the winners in this new age of agriculture.

Low farm prices from 2017 are sure to carry over into 2018, as will the uncertainties surrounding key farm-related legislation.

The Farm Bill is a prominent piece of agricultural legislation that renews, on average, every five years. It is a multilayer piece of legislation which governs farm and nutrition programs. Of critical importance to farmers, the Farm Bill provides a safety net in difficult times.

It is imperative the 2018 Farm Bill becomes law in a timely manner in order to provide certainty for farmers and consumers and to maintain a plentiful and strong food system. The Farm Bill is somewhat of a misnomer because only 20 percent of Farm Bill funds go to farmers, while 80 percent of Farm Bill funds go to federal nutrition programs such as the Supplemental Nutrition Assistance Program (SNAP).

Mother Nature is every farmer's temperamental business partner, so risk management options are a must. Crop insurance is a vital risk management tool for farmers. The two farm safety net programs created in the 2014 Farm Bill, Price Loss Coverage and Agricultural Risk Coverage, are needed to provide certainty for farmers.

In addition to the anxiety Mother Nature causes, dairy farmers found themselves in uncharted waters this year when milk processing companies notified some farmers they would no longer take their milk because there was too much supply and too little demand. Milk prices are expected to be slightly lower in 2018, and many dairy farmers are already in survival mode.

Dairy farmers have long been challenged with milk price variability and fluctuating inputs such as feed costs. Today's risk management programs do not manage milk price risk directly. Without some better protection, dairy farmers will continue to struggle.

American Farm Bureau is proposing a new concept which helps dairy farmers manage their risks. It is a program based on futures markets which allows farmers to set a floor below which their milk price will not fall. The program would be run by USDA's Risk Management Agency, and rates would be based on market signals. The new proposal would give farmers another tool in the toolbox.

When discussing uncertainties, farmers are watching international trade discussions very intently. In 2015, exports of agricultural products contributed $2.8 billion to Wisconsin's economy. With one of every nine tankers of Wisconsin milk heading outside of our country, trade is critical to our farmers' success in 2018 and beyond.

While uncertainties have taken the wind from our farmers' sails, crop and animal breeding technology and water management are the winds filling their sails and propelling them into a new era driven by data.

Farmers have never had so many options when it comes to genetics. Whether concerning animals or plants, there is little they can't tell you about what they raise and grow.

> "This past year has showcased the ability of our farmers to improvise, adapt, and overcome all obstacles to excel."
>
> – Dale M. Beaty
> WFBF Chief Administrative Officer

Water management practices are also setting our farmers up for success. With more than 10 producer-led efforts in Wisconsin, our farmers are more conservation-focused and future-thinking than ever before.

This past year showcased the ability of our farmers to improvise, adapt, and overcome all obstacles to excel in feeding, fueling, and clothing our nation and the world. They improvised by using technology to grow more of the safest and healthiest food using less land, less water, less fertilizer, less fuel, and fewer chemicals. They adapted to challenging weather during the entire growing season. They overcame high input prices and low sale prices.

Over the next year, Wisconsin's farmers will likely be forced to continue navigating rough economic seas; however, by using the right risk management tools, they will be successful doing what they do best: farm.

WFBF is the state's largest general farm organization, representing farms of all sizes, commodities, and management styles. There are more than 46,000 members that belong to the Wisconsin Farm Bureau. Voting Farm Bureau members (farmers) annually set the policy the organization follows, and are involved in local, state, and national affairs, making it a true grassroots organization.

Wisconsin Grocers Association

Here Comes the 2018 Grocery Biz Roller Coaster

By Brandon Scholz, WGA President and CEO

Peering into the 2018 retail crystal ball is frankly, a bit scary. Not from the doom and gloom perspective but rather in the speed with which retail markets are changing, adapting, and moving forward.

A look back into 2017 really tees up many of the things that retailers will have to deal with not only this year, but in the future.

Let's start by painting the big picture: technology, profits, workforce, customers, and policy. Retail, whether it's grocery and convenience stores, apparel, hardware, electronics, or others, factor these components into their forecasting and business plans.

The retail grocery sector dealt with a sustained run of deflation, putting excruciating pressure on its traditional razor-thin margins. While even lower prices were great for consumers, deflation had a negative impact on retailers directly and pushed prices to historically low points. Through May of 2017, the 12-month adjusted CPI average per the U.S. Department of Labor and Statistics was negative for "Food at Home" at minus 0.2%.

The good news for retailers is that the Economic Research Service at USDA says, looking ahead to 2018, retail food prices are expected to rise between 1.0 to 2.0 percent; that is still a great deal for grocery shoppers.

A top legislative leader recently asked me what sort of workforce training program would be helpful to the grocery industry. My response was that we need to have a larger pool of people to hire from, and then we can talk training. The retail industry has plenty of good programs to keep the workforce current and in compliance. Policymakers must continue to listen and respond to the business sector and develop legislative solutions to mitigate costly regulatory burdens, allow for changes in the marketplace, and support economic development and workforce growth.

According to the U.S. Census Bureau, Wisconsin small businesses employed 1.2 million people, or 50.7% of the private workforce, in 2013. The Bureau of Labor Statistics reported private-sector employment increased 1.0% in 2015. Even under some challenging economic conditions, the Bureau of Economic Analysis noted that in the second quarter of 2016, Wisconsin grew at an annual rate of 1.6%, which was faster than the overall U.S. growth rate of 1.2%. But there are still not enough people in the workforce to fill workplace jobs. Finding and hiring new employees was a huge challenge in 2017 and the prospect for 2018 looms even more ominous.

My Cloud Grocer, a grocery eCommerce software platform, notes that going shopping is not what it used to be. Merchants of all stripes face pressure from changing consumer behavior, the relentless expansion of Amazon, and other massive companies targeting their markets.

At one time there was a large brick and mortar shoe retailer who refused to believe that their customers would buy shoes online because "Who would buy shoes without trying them on?". Well, Zappos is one of the top-rated online retailers in the shoe biz… So much for having to try on the shoe.

Customers are shopping online for more items, and groceries are rapidly becoming a part of that psyche. Morgan Stanley Research (MSR) notes that traditional grocers have entered the online world and are competing on price, quality, and service and expanding choices. "Given online grocery's low market share of overall grocery sales (around 2% in the U.S.) it offers significant potential for growth," says MSR.

Online grocery shopping is not coming. It's here and growing, and it's not because Amazon bought Whole Foods. Retail has to accommodate its customers, ranging from seniors to millennials. While online grocery shopping sales is now in single digits, it's trending up, and up, and up.

I side with the collection of experts who caution the industry, investors, and others to not overreact to the Amazon/Whole Foods deal. Retail grocers aren't going away. They will adapt, change, modify, and continue to serve their customers. They will figure out what the balance is between in-store and online shopping. If anything, Amazon made grocers think, plan, and implement faster than they usually do.

And, Amazon will figure out how difficult it is to compete in the grocery biz, both online and in-store. By shutting down home-delivery in nine major U.S. markets, Amazon (like Peapod years ago) is finding out how expensive it is to compete in that last delivery mile.

There's nothing boring or static about the retail sector in Wisconsin. There's never a dull moment, and sales will ring up for quality products at competitive prices delivered with service and a smile… even online.

The Wisconsin Grocers Association represents nearly 1,000 independent grocers, retail grocery chain stores, warehouses and distributors, convenience stores, food brokers andsuppliers. Wisconsin grocers employ over 50,000 people with $815 million in payroll and generate more than $6 billion in annual sales in Wisconsin resulting in approximately $250,000,000 in state sales tax revenue.

Wisconsin Hospital Association

Despite Uncertainty in Washington, WI Health Care Steadily Leads the Nation

By Eric Borgerding, WHA President and CEO

2017 was another year of outstanding performance from Wisconsin's health care system. The highly regarded Agency for Healthcare Quality and Research (AHRQ) ranked Wisconsin health care #1 in the country. This was one of several studies last year that Wisconsin health care, including having the highest quality rural hospitals, being one of the best states for physicians, the best state for nurses and the best provider-owned health plans in the country.

While these accolades are noteworthy, more remarkable is Wisconsin's sustained performance. Last year's top AHRQ ranking was laudable, but even more impressive is that in the 11 years these rankings have been released, Wisconsin has never shown worse than seventh (#1 three times, #2 four times). Our top ranked health care also delivers downstream benefits for Wisconsin businesses. In times of severe labor shortages, every day on the job matters, and Wisconsin leads the nation in returning injured workers back to their jobs, back to productivity.

Wisconsin's health care has been so good for so long that most people take it for granted. However, a recent WHA poll of our member hospital and health system leaders, those in part responsible for sustaining that excellence, revealed growing concern over the instability of the insurance market and its impact in Wisconsin.

In my column last year, I said repealing Obamacare, which seemed a certainty in the wake of the election, would prove easier said than done… and it has. Love or hate it, nearly a quarter million Wisconsinites get health insurance from the Obamacare exchange (and probably three times that number are happy their kids, parents, or friends have that coverage). Since Obamacare went into effect in 2014, Wisconsin's uninsured rate, now at 5.7%, has been nearly cut in half. That's the good news. At the same time, insurance premiums on the exchanges have been steadily rising, indeed spiking in 2018 by an average of 36% in Wisconsin. Generous federal subsidies mean most exchange enrollees won't feel these increases, but those subsidies cost money and Uncle Sam is picking up the growing tab.

One of the key ingredients for high-performing heath care systems is access to insurance coverage. It's one of the reasons Wisconsin has performed so well for so long. But if Congress can't deliver on its pledge to *replace* Obamacare, where does that leave us? The current system could limp along, crippled by incrementally dismantling its components which, absent a comprehensive replacement, will exacerbate both premium increases and taxpayer costs. And if the exchanges eventually fall apart (as some policymakers desire) with nothing to replace them, the ranks of uninsured could swell.

These are not armchair contemplations for Wisconsin health care leaders. As noted in our member survey, the fragmented state of Obamacare is one of the "keep you up at night" concerns most gripping health care today. Since becoming law in 2010, our members have been redesigning care systems and realigning resources within the policy and regulatory frameworks of Obamacare. Given a relative level of stability, some semblance of certainty, Wisconsin health care leaders will not only adapt, but as the record shows, they will excel under any environment. After years of dealing with Dodd-Frank and its related regulatory upheavals, Wisconsin's banking industry can certainly empathize with health care's desire for stability and clarity.

Amidst unprecedented uncertainty one thing has, unfortunately, remained constant: the price-inflating dynamic of government "cost shifting." To be sure, more insurance coverage has meant fewer unpaid medical bills and "uncompensated care" in hospitals has fallen along with our uninsured rate. But wiping out those gains are growing losses from government programs like Medicaid and Medicare.

Medicaid reimburses Wisconsin hospitals about 65 cents for every dollar they spend providing care, Medicare about 78 cents. Those pennies add up to about $2.8 billion/year in unpaid costs (not charges) that must be shifted to everyone else. According to the Greater Milwaukee Business Foundation on Health, below cost hospital reimbursement from these two programs accounts for about 31% of the price of hospital care for businesses in southeastern Wisconsin. It's a phenomena WMC dubbed "the hidden health care tax" and adds billions to the health care spend for employers, workers, and families. For Medicaid alone the "hidden health care tax" now tops $1 billion annually, **higher than any actual tax** in Wisconsin, including the corporate income tax. The piecemeal disassembly of Obamacare won't address that ongoing problem and could actually make it worse.

Established in 1920, WHA's mission is advocating for the ability of its members to lead in the provision of high quality, affordable, and accessible health care services, resulting in healthier Wisconsin communities. WHA is committed to serving member needs, keeping members informed of important local and national legislative issues, interpreting clinical and quality issues for members, providing up-to-date educational information and encouraging member participation in Association activities.

Wisconsin Technology Council

Keep Your Money Riding on State Economy in 2018

By Tom Still, WTC President

I may hop the next plane to Las Vegas to play the roulette tables. My winning streak of late could win me some money.

In this space in 2017, I predicted the broadband logjam would be broken. The Information Technology and Innovation Foundation just ranked Wisconsin 11th among the 50 states in that category, a surprising jump. I also forecast that BigCo's would invest in southeast Wisconsin. Little did I know it wouldn't be homegrown companies but a little Taiwanese outfit called Foxconn.

The 2016 forecast talked about the importance of wooing and keeping millennials, a topic that is currently all the rage.

My crystal ball for 2015 laid out four tech goals for policymakers: enhancing Wisconsin's startup and scale-up business climate, building the state's supply of knowledge-based human capital, improving access to capital for Wisconsin entrepreneurs, and improving technology development, delivery, and transfer from the lab bench to the marketplace. Check, check, check, and check.

I could quit while I'm ahead, which would be the smart Vegas thing to do, but I might as well double down on Red 23 and let the wheel spin again.

1. The incredibly shrinking stock market will continue to help small- to mid-sized private companies. Fewer companies are going public, which means more dollars are chasing fewer deals on the New York Stock Exchange and the NASDAQ. Major companies are sitting on plenty of cash and some invest it by paying attention to smaller firms, especially those in the same industry space. That's happening in Wisconsin, where corporate investors are adopting young tech companies to speed internal innovation. Big company executives no longer think "entrepreneur" is French for "unemployed dreamer."

2. The Foxconn deal will look better as China gets stronger. Will the rest of the 21st century be the Next American Century… or will the world's most populous nation use its huge trade imbalance, tech investments, and buying power to make it the Chinese Century? States such as Wisconsin that invest in a strategic advantage, such as a $10 billion liquid crystal display factory, are prepared to move either way.

3. The I-Q Corridor will become more of a reality. That's the name I coined years ago for the interstate corridor connecting the powerhouses of Chicago, Milwaukee, and Madison with points north and west. Foxconn will anchor the southern link with its plant near Racine and more companies are shortening the 85-mile link between Milwaukee and Madison. There was a time when the Milwaukee "old guard" looked on Madison with a mix of envy and disdain, but a younger crew in the state's largest city doesn't seem to carry those grudges.

4. Startup fever will spread in Wisconsin. To date, it's been largely a function of the Big Two cities, but Wisconsin has always been a state of mid-sized cities. Progress will continue in places such as Janesville, Beloit, Eau Claire, Kenosha, Racine, La Crosse, Appleton, and Green Bay as young companies and workers emerge.

I'm packing light for that Vegas trip, where the roulette tables await, and I'm placing my 2018 bet on Wisconsin.

The Wisconsin Technology Council includes the Wisconsin Innovation Network, the Wisconsin Angel Network, and the annual Governor's Business Plan Contest.

Wisconsin Bankers Assn.

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needs. I expect M&A activity in 2018 to affect closer to 10% of our state's headquartered financial institutions.

Our financial institutions power Wisconsin for the betterment of individuals, businesses, and communities. Financial institutions uniquely help local communities grow and thrive through the loans they make to, and the trusted wealth management advice they share with, individuals and businesses. In addition, the banking industry contributes significant financial and human resources to countless local causes and charities. It is in the interest of our entire state to support state and federal legislative policies that keep diverse financial institutions healthy and operating in Wisconsin. Meaningful regulatory and tax reform are two key legislative agenda items that must be passed at the state and federal level to help our industry.

With the continued strong economy moving into the new year, and the assumption that legislation will pass which starts to ease regulatory and tax burdens, I expect financial institutions to have another successful year in 2018.

Founded in 1892, the Wisconsin Bankers Association is the state's largest financial industry trade association, representing nearly 250 commercial banks and savings institutions and their almost 2,300 branch offices and 23,000 employees.

WisPolitics.com/WisBusiness.com

2018 Landscape for State, National Politics

By Jeff Mayers, WisPolitics.com President

Usually a good economy is good for incumbents. And by most any account, the economy in late fall 2017 was doing very well—low unemployment, steady growth, and good results in the stock markets. But with polarization pulsating through Madison and Washington, D.C. and through the electorate, election watchers say 2018 could be a year of change at the ballot box.

History says the party in power in Washington, D.C. often struggles in the first mid-term election—even more so when the new president's numbers are poor. That history and Fall results across the country appeared in late 2017 to give some early momentum to Democrats as Gov. **Scott Walker** formally launched his bid for a third, four-year term and more Democrats swelled the field of challengers (a field mocked by Republicans as weak).

Also getting top billing on the 2018 ballot is the U.S. Senate race. Democrat **Tammy Baldwin** of Madison will have a strong challenge from Republicans in her first re-election bid after beating **Tommy Thompson** in 2012. As of late 2017, the major GOP challengers were state Sen. **Leah Vukmir** of Brookfield and Marine combat veteran and business consultant **Kevin Nicholson** of Delafield. Big money was already flowing into the race from inside and outside Wisconsin as of this writing—confirming the high national stakes: control of the U.S. Senate.

So what was the political environment in late 2017? Polling that shows 41% of Wisconsin voters strongly disapprove of President **Donald Trump's** job performance could make for a "challenging environment" for Republican candidates in next year's races, according to the CEO of D.C. polling firm Morning Consult.

The results also showed Trump's approval in the state of Wisconsin was lower than it was nationally—35% of Wisconsin voters strongly or somewhat approve compared to 40% across the country. Of those findings, just 14% in Wisconsin strongly approve of Trump's performance compared to 18% nationally.

The firm's co-founder and CEO **Michael Ramlet** referred to that as a "softer base"—something that should be making Wisconsin GOP politicians nervous. "When I start looking at Trump's approval, this is where I would start to get antsy if I was a Republican member or senator or candidate," the Wisconsin native told a WisPolitics.com breakfast in D.C. in November.

The poll also found Walker's approval rating underwater, with 50% of respondents who somewhat or strongly disapprove of the job he was doing while 41% somewhat or strongly approve.

Meanwhile, Walker's approval was highest among Wisconsin Republicans, where 80% either strongly or somewhat approved of his performance. But among Dems, 80% instead either strongly or somewhat disapproved.

As for Baldwin, 38% of respondents strongly or somewhat approved of her work while 41% somewhat or strongly disapproved; 19% said they didn't know or didn't have an opinion, despite Baldwin facing a "pretty competitive race" in 2012 against Thompson, Ramlet said, adding: "That was six years ago, and it seems like a lifetime ago in American politics."

And, he noted, last time around Baldwin—along with the other U.S. senators up for re-election—ran during a President Obama re-election bid, saying the coalition he put together looks "very different" from the voter base in a mid-term election.

Of the poll respondents who supported **Hillary Clinton** for president last year, 67% strongly or somewhat approved of Baldwin while only 18% strongly or somewhat disapproved. Among Trump supporters: 73% strongly or somewhat disapproved of the Madison Dem while only 17% strongly or somewhat approved.

But Ramlet predicted independent voters would be the ones "that will really kick in in this race"—especially those who only registered a somewhat approval or disapproval of Baldwin.

The poll's results show 28% of respondents who identify as independent somewhat approved of Baldwin, 6% strongly approved, and 22% each strongly or somewhat disapproved, while the remaining 22% didn't have an opinion.

Another poll from a different firm showed similar results. The poll from the Dem firm Public Policy Polling found Walker trailing a generic Democratic opponent and his job approval numbers upside down; 43% of voters surveyed approve of the job he's doing, while 49% do not. Meanwhile, a generic Dem opponent led 48-43.

In addition, the statewide automated phone poll of more than 1,100 registered voters in October showed:

- 40% approved of the job Trump was doing, while 52% disapproved.
- And Dems led the generic legislative ballot 44-41, but Republicans have strong majorities in the state Assembly and Senate.

Jeff Mayers is president of WisPolitics.com and WisBusiness.com. The websites are specialty online news organizations that provide subscriber services and organize news events in Madison, Milwaukee and Washington, D.C.

Wisconsin Manufacturers & Commerce

Focus on What We Can Control

By Kurt R. Bauer, WMC President and CEO

"God grant me the serenity to accept the things I cannot change; courage to change the things I can; and wisdom to know the difference."

I apply **Reinhold Niebuhr's** famous Serenity Prayer to WMC's legislative agenda because there are things Wisconsin can do to control our economic destiny and there are things that are simply outside our control, especially given that Wisconsin accounts for less than two percent of U.S. GDP.

For example, Wisconsin unfortunately has little say in the renegotiation of the North American Free Trade Agreement (NAFTA) that has a big impact on our manufacturers and farmers. Trade between Canada and Mexico equals 46 percent of all state exports and accounted for $9.6 billion in 2016. At least 249,000 Wisconsin jobs are dependent on NAFTA.

A study released in November 2017 by the U.S. Chamber of Commerce said Wisconsin "would suffer acutely" if the U.S. were to withdraw from NAFTA. The study further says that because so many of our manufactured and agricultural products (particularly dairy) are exported, Wisconsin would be the second-hardest hit state if NAFTA went away.

Wisconsin similarly didn't have a say in the decision to withdraw from the Trans-Pacific Partnership (TPP), which originally included the U.S., along with 11 other nations. Most economists tie GDP growth with population growth. The working-age population is flat in Europe and the Americas and is declining in Australia. Africa and Asia are growing population, but only Asia is seeing a corresponding expansion of middle class wealth, making the largest continent the most lucrative potential market for U.S. exports for the foreseeable future. The U.S. not being in the TPP will make it harder for Wisconsin companies to find the customers needed to compensate for stagnation elsewhere.

Birthrates in Wisconsin have been below replacement levels for at least two decades. The result is a critical workforce shortage that is projected to get worse. Part of the solution should be legal immigration, but the dysfunction in the federal system has become another economic issue outside our control. Wisconsin boasts some of the best public and private colleges and universities in the world, which attract the best and brightest students from abroad. But when foreign students earn their degree, too many are denied an H1-B Visa to stay and work in the U.S. Instead, they are sent home to compete against us.

The good news is that over the last eight years Wisconsin has maximized the opportunities we have had to control our state's economic fortunes. We have enacted an impressive list of tax, regulatory, litigation, and other reforms that have taken Wisconsin from the bottom 10 to the top 10 in *Chief Executive Magazine's* annual business climate ranking. Act 10, Right to Work, tax relief like the Manufacturers and Agricultural Production Tax Credit, numerous legal reforms, and checks on the power of unelected bureaucrats to promulgate rules are why Wisconsin is outpacing its neighbors in many important economic metrics. It is also why we are seeing Wisconsin companies choosing to expand here and why other companies, like Haribo and Foxconn, are moving here.

> "The good news is that over the last eight years Wisconsin has maximized the opportunities we have to control our state's economic fortunes."
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> – Kurt R. Bauer
> WMC President and CEO

But there is always more work to be done. At the top of WMC's list is aligning the state and federal versions of the Family Medical Leave Act and following 44 other states in enacting a fee schedule to contain skyrocketing Workers Compensation medical costs. WMC also wants to stop local governments from creating a complicated patchwork of environmental regulations and from imposing various human resource-related mandates on employers. Wisconsin also needs to improve high-speed Internet access in rural Wisconsin and fight the opioid and methamphetamine epidemic that is taking too many valuable people out of the already-shrinking labor force. Finally, we need to dedicate more resources to market our high quality of life and diverse career options to encourage inward migration to Wisconsin.

Founded in 1911, Wisconsin Manufacturers & Commerce (WMC) is the combined Wisconsin Chamber of Commerce, Manufacturers' Association and Safety Council. WMC represents 3,800 employers of all sizes and from every sector of the economy.