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WISCONSIN ECONOMIC REPORT

A Cautionary Approach Heading Into 2024

By Rose Oswald Poels

The year 2023 ended with Wisconsin's economy in a strong position despite headwinds faced throughout the year, and that resiliency is expected to last throughout 2024. According to the WBA Bank CEO Economic Conditions Survey conducted in November 2023, more than 68% of bank leaders responding to the survey believe the current health of Wisconsin's economy is good or excellent. Looking ahead six months, 47% of respondents believe the economy will remain the same while 44% believe it will weaken. These responses are an improvement from last year when 72% of respondents believed the economy would weaken in the next six months. Moreover, most respondents (95%) do not foresee inflation worsening in the future, further supporting the notion that the economy will remain essentially the same over the next six months.

In the second half of 2023, we saw lower-than-expected inflation along with core inflation moving closer toward 2% than expected, both of which helped the Fed decide to keep rates steady and not impose any increases after July 26. We also continue to see strong employment numbers, with the unemployment rate dropping to 3.7% in November 2023. While some businesses are still looking for labor, it is less of a widespread issue than it has been in the past. This resiliency is expected to remain well into the new year.

In addition, gas prices dropped throughout last fall, which directly helped consumers' pocketbooks. With more money in their bank accounts to spend on discretionary items instead of gasoline, retail sales numbers are expected to end the year strong.

The banking industry itself continues to show solid financial strength through the third quarter of 2023. Year-over-year lending increased in all categories — commercial, residential, and farm loans — demonstrating the responsiveness of banks to meet their customers' needs. Individuals and businesses continue to trust banks as a safe place to keep their money, as evidenced by a slight increase in deposits, both year over year (0.59%) and quarter over quarter (0.95%). Net interest margin for Wisconsin's banks held steady at 3.19% year over year, and capital levels are healthy.

Certainly, one headwind facing the economy is the unknown length of time that interest rates will remain elevated. While it is a positive sign for the economy that the Fed did not raise rates after July 2023, the Fed is also not expected to begin cutting interest rates until much later in 2024. This sustained period of higher interest rates particularly harms individuals with high credit card balances, and highly leveraged businesses and farmers that may also be experiencing limited revenue growth. In addition, businesses that borrowed money at a fixed rate for a two- or three-year period will see their loans reprice in 2024, which will put pressure on their overall earnings.

Demand for loans is expected to remain steady throughout 2024, although overall demand is not extremely strong. Demand for business, commercial, and agricultural loans are all expected to remain consistent into 2024; however, residential real estate lending is lagging and expected to continue to remain at lower levels. As discussed above, elevated interest rates are one factor contributing to a weaker demand for credit. In addition, other headwinds for the new year include inflation, the uncertainty surrounding a presidential election, and geopolitical issues.

While there is some caution heading into 2024, bankers believe that the economy will not materially change from its current conditions and are not expecting a recession. Bankers are in the risk business and have reserves set aside to handle any potential defaults they may experience in 2024. Overall, the industry itself is very healthy and in a strong position to work with their borrowers and customers through any potential economic issue this year.

Oswald Poels is president and CEO of the Wisconsin Bankers Association

Founded in 1892, the Wisconsin Bankers Association is the state's largest financial industry trade association, representing more than 200 commercial banks and savings institutions and over 30,000 employees.

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The Theme for 2024 is 'Wait and See'

By Robb Kahl

Secretary of the Treasury **Janet Yellen** captured the spirit of economic forecasts when she said, "The outlook for the economy, as always, is highly uncertain." Over the last year, material prices and availability leveled, minimizing bid price increases and project delays. But many of the 'asks' on last year's economic wish list remain unfulfilled: an increase in owner confidence to invest in construction projects, lower interest rates to make project financing possible, and an ample supply of employees, willing and able to work building Wisconsin. 'Wait and see' is an appropriate theme for the 2024 construction industry outlook because economic news continues to inspire neither confidence nor dread.

The Fed continues to wage its tightrope balancing battle against inflation, while trying to avoid undue deterioration in the capital markets environment. This uncertainty is the engine behind an economy that is showing signs of deceleration, with several contributing factors, including high interest rates impacting consumer discretionary incomes that stresses business profitability.

In 2023, U.S. total construction starts through October rose only 7% (much lower than the increases we saw in 2022), with moderate increases in most segments of the nonresidential and public sectors, including transportation. Multi-family is the only segment of residential that has shown increases, with single-family down 6% and not likely to resume activity until interest rates improve. The Architectural Billing Index for October reflects a continued downward trend in architectural billings, forecasting a slowdown in the construction industry, and the Dodge Momentum Index is down almost 10% from Oct 2022.

Manufacturing held the spotlight for growth in 2023, attributed to a robust computer and electronic manufacturing market that includes data centers. Education, power, healthcare, and transportation are expected to finish the year with strong double-digit growth. As historical trends demonstrate, growth in the different construction segments can vary widely each year. Wisconsin's 2023–2025 biennial budget and WisDOT's Transportation Funding are strong and include substantial investments in both transportation and infrastructure.

Manufacturing projects are forecasted to remain at peak levels in 2024, as Buy America requirements force owners to invest in U.S. facilities, and U.S. computer/electronics manufacturing. For example, data centers, are in strong demand. Transportation, highway and street, sewage and waste disposal, and water supply are forecasted to deliver double-digit increases in 2024 due to increased federal spending. The Infrastructure Investment and Jobs Act (IIJA), Chips+ Act, and Inflation Reduction Act of 2022 will continue to support investment in projects that increase energy efficiency and reduce carbon emissions.

Despite the ongoing concerns about a housing shortage, particularly for workforce housing, it is forecast that single-family housing will not recover until the stabilization of interest rates. This presents a major challenge in most parts of the state. In Dane County for example, it is projected that the population will increase by 100,000 over the next decade, and multi-family vacancies today are less than 2%. There is no end in sight for multi-family housing construction in Dane County. There are many units being built right now, both at affordable and high-end market rate, despite the rising interest rate environment. "Workforce housing," rather than low-income housing, needs to be a focus.

The availability and cost of building materials in 2023 were less of a challenge than in recent years with most inputs, except for electrical gear and some electronics, leveling off. Contractors are not experiencing relief relative to labor availability. Wisconsin, like the rest of the midwestern states, has close to no population growth, leaving worker shortages once again the #1 challenge for construction. The ongoing shortage of workers will be challenging for a much longer period than material costs or supply.

Wisconsin's construction industry contributes to the quality of life we enjoy and is an important stimulator for the economy. Every $1 spent within the construction industry, produces an economic impact of $1.84. Every $1 million spent within the construction industry generates twelve jobs on average (seven within construction and five in other sectors) and over $742,000 in wages. Construction Business Group looks forward to supporting the modest growth forecasted for 2024 and is prepared to work with our industry partners and elected officials, as we Build Wisconsin Together.

Kahl is the executive director of Construction Business Group.

The Construction Business Group works to promote and protect the construction industry by ensuring fair contracting laws are followed on public construction projects. CBG works cooperatively with contractors, employees, and public entities by educating them on fair contracting laws; monitors projects for fair contracting compliance; and aids to resolve compliance issues.

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Wisconsin Farmers Push Through More Challenges in 2023

By Kevin Krentz

2023 was an anxious year for farmers. The year started with many geopolitical issues, such as elevating fertilizer prices, continued supply chain disruptions, and trade tensions. While global challenges did not completely subside, domestic issues became more dominant. Inflation, interest rates, and labor costs have become some of the most prevalent concerns of farmers across Wisconsin.

Although inflation has slowed recently, prices are still high for farmers. Some prices are driven by a strong dollar increasing import costs, such as the costs of chemicals and fertilizers. Though fertilizers were cheaper than in 2022, they were still relatively high historically speaking. Much of the increase in domestic costs was driven by labor costs. From parts to supplies, equipment to services, labor costs have increased throughout the supply chain and pushed costs higher for farmers.

Farming is a high-asset, low-margin industry. In 2023, Wisconsin agriculture not only saw higher replacement costs for assets, but interest rates we haven't experienced in a generation. This has slowed and will continue to slow asset updates and growth as everyone tries to determine how transitory the rate increases are.

As unemployment rates remain historically low, on-farm labor costs have risen in recent years. According to USDA National Agricultural Statistics Services, farm labor rates were up 4–10% in May of 2023 from the year prior. The range is dependent on the area of farmwork.

May rolled around, and farmers across the state were busy planting. By mid-May, the rain turned off and some parts of Wisconsin experienced some of the worst drought conditions in more than a generation. Planting in these conditions led to inconsistent germination in fields as seeds waited for water. Parts of Wisconsin went for up to three months with less than an inch of rainfall. This even affected deep-rooted crops, stressing alfalfa and pastures. Yield concerns increased as the growing season continued. But crop genetics have improved dramatically during the last 20 to 30 years, helping make crops much more drought-tolerant than years before. As harvest began, most farmers were surprised by the above-average yields they experienced. The higher-than-expected yields also caught the markets off guard, and commodity prices quickly took a hit.

In most regards, farmers are price takers, not price makers. Margins have tightened for agriculture but not without opportunities. Commodity prices ebb and flow dramatically over the pace of 12 months. It is important for farmers to follow their business plan, use the tools available to them, and protect a profit when they can. Even when 2023 was another hard year in dairy, farmers who utilized tools such as Dairy Revenue Protection and Dairy Margin Coverage had a successful year.

Farm Bureau has helped develop and bolster Dairy Margin Coverage (DMC) and Dairy Revenue Protection (DRP) as well as crop insurance. We also continue to work on Federal Milk Marketing Order reforms. We are here to support farmers across Wisconsin. This past spring, the Farm Bureau lobbied for a very agriculture-friendly Wisconsin state budget including the Agriculture Road Improvement Program.

Wisconsin agriculture is a $104 billion industry, and those dollars are spent over and over in local communities around the state. Helping agriculture succeed helps our small communities.

But know that Farm Bureau is much more than a lobbying organization. We are a farmer network of support on everything from leadership development to promoting the value of conservation practices to engaging consumers. This year we were excited to announce a consumer-friendly website to learn more about and engage with farmers in Wisconsin. Visit GatherWisconsin.com for yourself.

As we conclude 2023, Wisconsin farmers have many justifiable concerns. Farm Bureau and our agricultural partners will continue to advocate for all of agriculture. In general, farmers are optimists. They are good at finding solutions and are looking forward to another productive year in 2024.

Krentz is a director on the board of the Wisconsin Farm Bureau Federation.

The Wisconsin Farm Bureau Federation is the largest general farm organization in the state and serves as a voice for farmers. WFBF's mission is to lead the farm and rural community through legislative representation, education, public relations, and leadership.

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The New Three-Legged Stool

By Brandon Scholz

It used to be that the grocery industry's three-legged stool stood for competitive prices, quality products, and customer service. That's still true today, but there is another stool in the room.

Inflation/higher prices, supply chain, and workforce are the issues that are driving the retail food sector — grocery stores, convenience stores, and other merchants that try to incorporate some food products in their aisles. Welcome to the other three-legged stool in the room.

Grocers are entering the fourth year of COVID/post COVID and the devastating impact the pandemic had on the retail food sector and consumers.

There's no question that the pandemic-driven inflation rate of 8.9% is still crushing food and grocery prices even though inflation has started to settle back to familiar rates (around 3%+). Virtually every product that ends up in the grocery basket reflects at least a 3.2% price increase over the period, according to the U.S. Bureau of Labor Statistics.

Here's the kicker: consumers expect prices on the shelves to decrease accordingly when they hear reports that inflation has subsided back down to 'normal' levels. That's not going to happen real soon.

Traditional retail grocery businesses have between 15,000–75,000 products throughout the store. Every manufacturer, grower, producer, and other has struggled to maintain their costs during this period. But with the impact of the third leg, the "workforce" crisis, raw materials, fuel costs, and more, costs went up beyond their ability to control it. As a result, prices on the shelves increased drastically.

Once the supply chain is able to recover and get back to normal (whatever that may be), the expectation is that prices will go down. The change is hinged on wages and workforce as well as energy and fuel costs. But that's going to take time. There's not really a magic formula that says prices will go down accordingly as inflation decreases. In fact, the USDA projects grocery prices could increase by 1% in 2024.

One of the most difficult post-pandemic challenges has been how to recover the workforce that the retail food industry relied on to stay in business. In February 2020, the unemployment rate shot up from 3.2% to 14.1% in April and then eventually crept down to approximately 3.1%. But that's not the whole story because as every employer knows, Wisconsin's base workforce changed. There simply weren't enough people who wanted to work or who were still in the workforce.

This is a major compounding issue as wages and benefits soared to new levels and drove expenses (and inflation) even higher. While every industry has had to face this situation, the retail food sector has not seen the return of the workforce to the levels needed to operate efficiently. And there has been no reduction in wages and benefits that were elevated during the pandemic.

The other 800-lb gorilla in the store is of course, the consumer whose attitudes, opinions, tastes, and demands change. The pandemic accelerated those changes to occur more frequently giving grocers less time to react and plan.

On their own, however, consumers move to 'pocketbook' survival and change their shopping patterns and what's on their shopping list. Until there is relief, consumers will continue to back out of products based on price (whether they are high end products) and put fewer 'indulgent' items in their cart. They may begin to switch to more of a 'bulk shopping' trip with a bigger basket (purchase) but reduce the number of trips to the store.

While consumers may be spending fewer dollars at their favorite restaurant and shifting those times to meals at home, it is still an exercise in shopping on based on price. Excluding specialty events and holidays, the expectation is that consumers will stay on this path throughout 2024.

Consumers and others will notice subtle changes throughout the store. The most obvious is self-checkouts and robotics. Without a full workforce, empty checkout lanes will be converted to self-checkout stations and shoppers may start to see robots in the aisles working on stocking and inventory. Partstown notes, automation has recently become a growing trend in the foodservice world in general; in the grocery space though, it has the potential to become a new normal.

In 2024, the hope is that prices begin to come down as costs in the supply chain find ways back to pre-pandemic times. With that, and continued Fed-impacted controls on inflation, shoppers may see some relief and return to stable pricing.

Just don't expect to see this soon.

Scholz is president and CEO of the Wisconsin Grocers Association.

The Wisconsin Grocers Association represents over 500 independent grocers, retail chain stores, warehouses and distributors, convenience stores, food brokers, and suppliers in Wisconsin.

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Hospitals' Biggest Hurdles for 2024: Workforce and Inflation

By Eric Borgerding

Like many other businesses over the past few years, Wisconsin hospitals have encountered substantial challenges, including a shifting and shrinking workforce and inflation unseen in years. These two factors — along with essentially flat reimbursement for services — are combining to place historic pressure on operations for 24/7/365 hospitals. Despite these challenges, our hospitals and health systems — 94% of which are non-profit — deliver essential services throughout the state, while maintaining their status as some of the best quality health care in the nation.

Wisconsin hospitals are striving to expand, recruit, retain, and support the health care workforce required to uphold the high-quality health care that Wisconsin citizens both expect and deserve. However, despite these concerted efforts, it is improbable that the health care workforce can expand rapidly enough to meet the escalating health care demands of Wisconsin's inordinately aging population.

By 2030, one in five Americans will be at retirement age. In Wisconsin, it is closer to one in four. Wisconsin is currently among the nation's 15 oldest states, with a population 65 and older near or at 20%, as compared to younger states with only 12 to 15% of their population over the age of 65. The rise in retirements is a powerful demographic trend impacting various industries. However, the health care sector faces a unique challenge because of the increasing demand as individuals grow older, coupled with a shrinking workforce.

Although those aged 65 and above represent only 20% of the population, they contribute to more than 40% of health care utilization. In contrast, individuals under the age of 35 comprise more than 40% of the population, yet their health care demand constitutes less than 20%. By 2032, the final members of the Baby Boom generation will reach 65 years old, and by 2040 Wisconsin's population 65 and older is projected to swell to 24%, almost one-quarter of the state's population. While retirements may decline in other sectors, we predict the enduring influence of the "Silver Tsunami" on health care demand and the health care workforce will span decades.

Wisconsin hospitals and health systems anticipate additional fiscal challenges for the foreseeable future, primarily caused by operational costs, reimbursement, and patients resuming their pre-pandemic care. Higher costs for labor, medical supplies, and overhead have a larger impact on businesses relied upon to deliver on-demand, around-the-clock access to care. Since 2019, the cost of supplies and services skyrocketed by almost 27%. Meanwhile, labor costs surged by nearly 14% and capital costs increased by 6%. As a result, profit margins have suffered significantly (even non-profits must operate in the black).

These pressures are exacerbated by shrinking reimbursement for services from commercial and government insurance while competition grows from for-profit, often venture capital-backed surgery centers that refuse to care for the uninsured or Medicaid patients and only the least complex (thus more profitable) Medicare patients. In December 2023, the U.S. Senate Budget committee, having "become increasingly concerned about the associated negative outcomes for patients," announced a bipartisan investigation into the private equity ownership of hospitals.

Recently released, state-mandated hospital fiscal data illustrates these dynamics. In 2022, of the hospitals required to submit data, 139 (86%) experienced decreasing margins, with 65 (40%) of hospitals operating in the red, including 10 of our rural hospitals running at a loss. These are the worst numbers we have seen in decades, including the incredibly difficult first year of the pandemic in 2020.

Thankfully, Wisconsin has not had a hospital close in over a decade, but we are seeing troubling signs, as potentially foreshadowed in the data above. Over the past 18 months several labor and delivery programs have closed leaving communities and families with longer drives to deliver babies. Other critical service lines such as inpatient behavioral health and substance abuse care — which typically operate in the red and would not be available at all if not for the local hospital — have downsized, closed, or shelved plans for expansion. We expect more to come in 2024.

Even in the face of these new challenges, Wisconsin's hospitals continue their unwavering dedication to providing exceptional care for all individuals. They persist in supporting critical services such as hospice, home health, behavioral health, long-term care and more, which are vital in many communities where if not for the hospital, the services simply would not exist. Despite these and other political challenges, responsible stewardship has and will remain at the forefront of their mission.

Borgerding is president and CEO of the Wisconsin Hospital Association.

Advocate. Advance. Lead. It's what the Wisconsin Hospital Association (WHA) does for its member hospitals and health systems so they can provide high-quality, affordable, accessible health care for Wisconsin families and communities.

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Expect More of the Same

By Kurt Bauer

When it comes to assessing the strength of our economy, I am not sure what to believe; government economic data or what I am hearing from WMC members, particularly our manufacturers.

Economic numbers are overall pretty solid. The unemployment rates for both the U.S. and Wisconsin (3.9% and 3.2%, respectively), are low, and GDP growth is strong (initially reported as 5.2% in Q3).

But during a recent WMC Board meeting, one member, who happens to be a banker, said that while we are not in a recession, "we are in something." Other Board members smiled and nodded in agreement.

To that point, the concern that "something" not so positive is happening has been reinforced by multiple business leaders during scores of member visits and CEO roundtables WMC has hosted around the state since last summer.

One warning sign, which actually has a short-term silver lining to it, is that WMC members are telling us that for the first time in years, more people are applying for jobs, coming to interviews and, if hired, showing up on the first day of work. That is anecdotal evidence that the economy is slowing.

To be sure, this is a temporary respite from the labor shortage, which is without question Wisconsin's biggest long-term economic challenge.

To show just how acute the labor shortage is, many businesses tell us they are reluctant to lay off employees even as business slows because they know they will need them on the back end when the economy gets stronger.

Businesses also continue to be optimistic about their company's outlook in 2024 versus the economy as a whole. For example, most businesses believe they will remain profitable in the New Year even as they suspect the national economy will be somewhat anemic.

The bi-polar view of the economy may just be a sign of troubled times. There are wars in Ukraine and Israel, as well as a cold war with China. The world seems far more unstable and dangerous entering 2024 than it did just a few years ago.

Interest rates are high to combat stubborn inflation. And we are on the eve of national presidential and congressional elections, which will showcase the deep political and social divisions in our country.

2023 was a chaotic year. I would expect more of the same in 2024. There will continue to be contradictory economic information, geo-political conflict, domestic political polarization, and unrest.

The aforementioned 2024 elections will be huge. Most people tend to focus on the White House, but don't forget the razor thin margins in both the U.S. Senate (51 Democrats, 50 Republicans) and the House of Representatives (221 Republicans, 213 Democrats and one vacancy, as of press time).

Typically, uncertainty as to which party will control both the White House and Congress compels businesses to delay major decisions. That makes sense considering the stakes for the national business climate, including tax, labor and energy policy.

At the state level, keep an eye on the Wisconsin Supreme Court in 2024. There is an activist progressive majority on the high court for the first time since 2008 by virtue of **Janet Protasiewicz's** victory last spring, and the consequences to the Wisconsin business climate could be profound.

There are already challenges to school choice funding and Act 10, which ended compulsory union membership and collective bargaining for public employees, saving Wisconsin taxpayers an estimated $16 billion over 12 years. We also expect additional legal challenges to Wisconsin's Right to Work law and scores of other pro-business reforms impacting taxes, regulations and the litigation environment.

> "2023 was a chaotic year. I would expect more of the same in 2024."

Sweeping regulatory and liability changes by fiat from our state Supreme Court could freeze business investment the same way as national political uncertainty does, and cause Wisconsin employers to look elsewhere when making investments.

Bauer is president and CEO of the Wisconsin Manufacturers & Commerce.

Wisconsin Manufacturers & Commerce (WMC) is the largest and most influential business association in the state, working to make Wisconsin the best place in the nation to do business. WMC is proud to have been serving as Wisconsin's business voice since 1911, representing over 3,800 member companies, spanning all sectors of the economy.

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Tight Inventory and Unmet Millennial Demand Pushes Prices Higher in 2023

By Tom Larson
With insights from David Clark

For a second straight year, Wisconsin's existing home sales slowed compared to the previous year, and this was primarily because of very low inventory levels. While there was some modest softening of demand pressure in 2023 as housing affordability slipped, housing demand remained solid especially for first-time millennial buyers. Millennials have now surpassed the Baby Boom generation in size, and while they delayed moving into owner-occupied housing in the immediate aftermath of the Great Recession, they are now forming households and buying single-family homes.

The problem they now face is a shortage of homes available on the market. A rule-of-thumb in housing is that a market is balanced if there is six months of supply. Less than six months signals a seller's advantage and using that benchmark, Wisconsin has been in a persistent seller's market since August 2017. In October 2023, there were just 3.3 months of available supply. This tight supply combined with solid demand resulted in a 20% reduction in year-to-date home sales through October 2023, compared to the first ten months of 2022, and it drove home sale prices up 8.3% over that same period.

Unfortunately, the combination of strong price pressure, relatively high mortgage rates, and slowing income growth has pushed statewide affordability down substantially. The Wisconsin REALTORS® Association (WRA) Housing Affordability Index shows that portion of the median priced home that a buyer with median family income qualifies to purchase, assuming a 20% downpayment and the remaining balance financed with a 30-year fixed-rate mortgage at current rates. The index showed that qualified buyers could purchase 127% of the median priced home in October 2023. The index was 139% in October 2022, and it was 203% in October 2021.

Although many economists expected the national economy to weaken in 2023 because of the Fed's aggressive increase in short-term interest rates, real (inflation-adjusted) GDP has shown remarkable resilience throughout the year. Real GDP grew at just over 2% in each of the first two quarters of 2023, but it grew at 5.2% in Q3, which is the strongest showing since Q4 of 2021. Moreover, there has been consistent improvement in inflation, with the Fed's preferred measure of core inflation falling to 3.5% in October 2023. While this remains above the Fed's target of 2%, it is at its lowest level since April 2021. In addition, measures of consumer confidence published by the Conference Board indicate that consumers are relatively pessimistic about the future economy, with about two-thirds of those surveyed in November 2023 perceiving the risk of a recession in the next 12 months to be "somewhat likely" or "very likely."

Since consumer spending accounts for about 70% of real GDP, any change in spending patterns can lead to recession. Both the progress on inflation and the weak consumer confidence measures will likely preclude more short-term interest rate hikes by the Fed to further slow the economy.

There are some preliminary signs that supply constraints are moderating. New listings of existing homes in the state improved 2% in October 2023 compared to a year earlier. Furthermore, while months of supply continued to signal a seller's market, they did improve from October 2022 when there was just 2.7 months of supply.

The Fed remains committed to taming inflation, and hopefully they will be able to achieve a so-called "soft landing." Congress and the president need to do their part by controlling spending to avoid creating more inflationary pressures. Finally, we want to thank Governor **Tony Evers** and the Wisconsin Legislature for the historic $525 million investment in new housing supply. This is a great start, and we encourage state and local officials to continue to pursue policies that will help improve the supply of housing. This includes lowering the regulatory burden for new construction and finding creative strategies to create affordable workforce housing.

Larson is president and CEO of the Wisconsin REALTORS® Association. Clark is professor emeritus of Economics at Marquette University.

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.

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Wisconsin is Headed for a Stronger 2024

By Tom Still

Mike Knetter, the nationally known economist who runs the UW Foundation, aptly describes it as "the economic expansion we love to hate." It's the notion that the U.S. economy has thus far dodged recession and is growing in tangible ways — but is still viewed with apprehension by many people.

A former economic advisor to two presidents, Wisconsin-native Knetter recently described the uncertain public attitude as shaped by a mix of encouraging factors — such as low unemployment, high payroll employment, and prime-age workers returning to the labor force — and some cautionary trends. Those trends include inflation, high interest rates, lack of housing mobility, the growth of the national debt, and fragile consumer confidence.

Layer in worries about conflict abroad, political polarization at home, reverse globalization, and the stubborn reality that transitioning away from "carbon energy" won't come easy, the picture of a "love-hate" relationship comes into focus in Wisconsin and nationally.

All in all, however, expect a stronger 2024 for Wisconsin's economy.

"What!" you might exclaim. "Optimists like you think the Green Bay Packers will win the next Super Bowl, too."

I'll leave football forecasts to others, but Wisconsin is well-positioned for growth. Here are some reasons why:

- Technology, innovation, and entrepreneurship are changing the state economy in ways that touch every sector, from agriculture to manufacturing, and from financial services to tourism. Artificial intelligence is a part of what will become the "fourth industrial revolution."
- The Wisconsin economy is increasingly intertwined with what's happening in tech markets. Companies such as Microsoft, Amazon, Google, and Tesla all have a stake in the state in one form or another. As the need for data centers grows with AI, Wisconsin is a natural candidate to host them — assuming energy costs are controlled.
- Home-based tech companies continue to out-perform competitors. Epic Systems' market share for electronic health records resembles Henry Ford's dominance in the 1920s. Exact Sciences, Promega, Faith Technologies, SHINE Technologies, NorthStar Medical Radioisotopes, and Rockwell Automation are among other examples.
- Wisconsin is well-positioned to take advantage of changes in agriculture, energy, water, and manufacturing tech to make the world more resilient in the face of climate change. Two planning grants from the National Science Foundation (only 44 were awarded nationwide) speak to Wisconsin expertise in those sectors.
- The right-sizing of higher education in Wisconsin is underway. It will be painful to many but ultimately beneficial to an economy that needs all the talent it can get. Memo to Wisconsin Legislature: Part of right-sizing is approving UW buildings for the future.
- Early stage investing across the country declined in 2023, but indicators suggest young Wisconsin companies continued to attract money from venture and angel capitalists close to home and well beyond.

One factor to watch: In-migration. Will Wisconsin be among those states that benefit from the California exodus, which approached 343,000 people in 2022 alone? Lower regulatory hurdles, competitive taxes and quality of life can separate the state from natural competitors. Told often and well, the Wisconsin economic story can generate more love than hate.

Still is president of the Wisconsin Technology Council.

The Wisconsin Technology Council is the independent, non-partisan science and technology advisor to the Governor and the Legislature.