WISCONSIN **ECONOMIC** REPORT

Rose Oswald Poels, President and CEO of the Wisconsin Bankers Association

Banking Industry Approaches 2025 with Cautious Optimism Amid Economic and Regulatory Uncertainty

As Wisconsin's banking sector looks ahead to 2025, there is a sense of both optimism and caution among industry professionals. Bankers will be closely watching how national policies under President Trump's administration may bring much-needed regulatory relief, while remaining mindful of the challenges the economy may continue to pose in the near future.

Overall, Wisconsin's banking sector remains very strong. Data released by the FDIC shows that Wisconsin banks remained in a healthy position through the third quarter of 2024 (the most recent numbers available as of this writing). Lending held fairly steady or increased in the third quarter of 2024 over the prior year in all categories (commercial, residential and farm loans), as banks responded to the borrowing needs of their customers. Deposits also increased 3.53 percent year over year, due in part to the high interest rates offered on CDs and money market accounts. Finally, the net interest margin, a key indicator of a bank's profitability and growth, for Wisconsin banks remained steady at 3.18% in the third quarter which was an increase from the prior quarter (3.14%), but a slight decrease over the prior year (3.19%).

Wisconsin banks are also leveraging investments in technology and innovation to drive growth. Digital banking platforms, mobile payment systems, and AI-powered tools for staff and customers are becoming essential for operational efficiencies as well as for attracting and retaining customers.

Regulatory burden at the federal level remains an ongoing concern for the banking sector. In the new administration, bankers are optimistic that there will be a pause on the introduction of new regulations, allowing the industry to focus on its core business rather than new compliance burdens. In addition, the industry is hopeful that overly burdensome regulations will be rolled back to a more reasonable level. One area of significant concern is the new Section 1071 requirements issued by the Consumer Financial Protection Bureau (CFPB). These rules, designed to collect more data on small business loans, have been criticized by many in the industry for imposing an excessive administrative burden on both the banks and their small business customers. The requirements go far beyond the original intent of the Dodd-Frank Act and could negatively impact small businesses by making access to credit more complicated and costly.

Despite these regulatory hopes, bankers remain cautious about the broader economic landscape. The path to economic recovery is still uncertain and a significant rebound may take longer than expected. The third quarter data released by the FDIC shows that past-due loans for Wisconsin's banking sector were elevated year over year (19.30%) as inflation and the high cost of living impacts borrowers. Past due loans were also higher quarter over quarter (6.55%), and the current level of past-due loans remains above recessionary levels.

One area of concern is the current state of the housing market. Mortgage rates are unlikely to drop significantly in the immediate future, and the high cost of housing, coupled with a limited supply, continues to challenge both buyers and sellers. This ongoing imbalance between supply and demand could lead to a slower recovery for the housing market and, by extension, for the broader economy.

Similarly, interest rates for commercial and ag borrowers are unlikely to be dramatically lower in 2025. As a result, loans that will re-price in 2025 could put greater financial strain on some commercial and ag borrowers. A typical duration for commercial and ag loans is a five-year fixed term with a balloon payment due at maturity. As a result, many customers renewed loans in 2024 and will renew in 2025 at interest rates higher than what the borrower had been paying.

For certain agricultural producers, adding to the strain of elevated interest rates is the fact that commodity prices are dropping to multiyear lows. With these decreases, the overall ag economy and farm income outlook continue to weaken. Ag producers always expect and experience variable farm income; however, large declines in farm income can quickly pressure cash flow and impair debt repayment capacity. As commodity prices retreat from their highs, ag producers are working with their lenders to adjust expenses and update cash-flow projections.

In conclusion, the banking industry is entering 2025 with a mixture of hope and hesitation. While the year may bring incremental changes rather than sweeping transformations, Wisconsin banks remain well capitalized to support the local needs of their customers and communities.

Oswald Poels is president and CEO of the Wisconsin Bankers Association.

Founded in 1892, the WBA is the state's largest financial industry trade association, representing 180 commercial banks and savings institutions, their branches, and nearly 30,000 employees.

WISCONSIN **ECONOMIC** REPORT

Robb Kahl, Executive Director of Construction Business Group

Construction Industry Approaches 2025 with Cautious Optimism

The U.S. construction economy has experienced record growth in recent years but as expected, did show signs of slowing in 2024 due to economic uncertainty marked by the battle against inflation, rising interest rates, and a decrease in both consumer and business confidence. Nationally, nonresidential construction spending increased by 5% over 2023 (lower than the previous years) led by growth in data centers, manufacturing, transportation, and power/utility projects.

The industry is cautiously optimistic about the 2025 economic forecasts that predict moderate economic growth, supported by federal infrastructure investments, the demand for sustainable and digital infrastructure, and a reduction in regulations that could streamline permitting and allow projects to start quickly. Nonresidential building activity is projected to rise by 8%, due to significant investments in manufacturing, data centers and infrastructure.

Provided federal investments and incentives (such as the Inflation Reduction Act (IRA), Infrastructure Investment and Jobs Act (IIJA) and CHIPS Act) remain intact after the new administration takes office in January 2025, Wisconsin's construction industry is expected to see ongoing opportunities in transportation infrastructure, water line replacement, fiber optic construction, renewable energy, energy storage, conversion of coal power plants to natural gas, and technology-driven projects like data centers.

Wisconsin will also benefit from nearly $17 million in federal funds aimed at expanding the EV charging network – again assuming these laws and appropriations remain in place.

Throughout the COVID pandemic, the construction industry faced tight margins due to elevated material costs and supply chain disruptions, which increased project costs and delayed projects. Excluding copper, brass and steel mill products, and diesel fuel, construction material prices were not as volatile in 2024, resulting in stabilization of bid prices. There is some concern that the incoming administration's change in approach to tariffs could have a negative impact on the cost of construction materials.

Workforce remains one of the most significant challenges for the construction industry with more than 90% of contractors reporting the need to hire both skilled trade and office positions. U.S. nonresidential construction employment increased by 3.7%, a modest increase compared to prior YoY of 11%. Wisconsin's construction employment numbers were almost exactly the same as the national average, coming in at 3.6%. Contractors remain eager to hire employees but find it difficult to hire because of lack of qualified applicants and new hires that fail to show up or quit soon after starting.

The construction industry is a crucial contributor to Wisconsin's economy. We need state and federal policymakers to continue to advocate for existing legislation and maintain appropriations to provide more funding through federal programs, such as the IIJA, to improve roads and bridges. Construction Business Group's wish list for 2025 includes:

- Ongoing statewide support for registered apprenticeship programs, which provide family-sustaining wages for Wisconsin residents and align with federal incentives tied to labor standards.
- Streamlining environmental review processes without compromising sustainability standards, ensuring timely completion of projects.
- Enacting policies favoring local hiring for public projects, which keeps economic benefits within Wisconsin and maximizes job creation.
- Incentivizing labor and prevailing wage agreements to enhance job quality and worker retention in construction.

Construction Business Group is prepared to work with our industry partners and elected officials in 2025 to enhance the impact that the construction industry has on the state, private industry, and individuals. Let Us 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.

WISCONSIN **ECONOMIC** REPORT

Bradley Uken, Wisconsin Farm Bureau's Chief Administrative Officer

2024 Stays Challenging for Farmers

While the agricultural economy continues to evolve under the weight of significant global pressures, inflation, and a variety of domestic policies that are out of date and exacerbating existing issues, there are few bright spots for Wisconsin Farmers.

Significant improvement in milk prices over the past year has been welcome news, but revisions to the Federal Milk Marketing Orders now pending at the U.S. Department of Agriculture (USDA) will substantially reduce returns for farmers selling Class 3 milk (milk for cheese). For dairy farmers in the upper Midwest, the net impact of the various changes in the order, had they been in place from 2020 to 2023, would have reduced payments to farmers by $75 million a year.

Meanwhile, other commodities face a combination of increasing input costs, reduction in market prices and high volumes of existing holdover stocks putting downward pressure on prices. Grain prices were projected to fall ten percent in the most recent USDA forecast, and with holdover stocks just shy of thirty percent higher than last year and a bumper crop expected, agricultural economists are making bearish projections for pricing.

These developments come at the end of a year when the country has been operating on an extension of the outdated 2018 Farm Bill. While provisions in the bill have allowed some modest adjustments to account for market changes, bill authors at the time had no way to anticipate the impacts of a global pandemic, the highest inflation in forty years, or major geopolitical developments hitting prices for the products farmers buy and sell. Farm safety net programs like the Price Loss Coverage Program and Dairy Margin Coverage Program are tied to statutory reference prices and other standards set in law that must be updated for the programs to function as intended. Clearly, we need a new Farm Bill.

Unemployment rates remain historically low, and on-farm labor costs have continued to rise. According to USDA National Agricultural Statistics Services, farm labor rates were up 2-3% in October from the year prior, a lower increase than the 4-10% in the prior year, but still a substantial increase. (The range is dependent on the area of farm work.)

As much as farming is impacted by policy, the weather can have a more determinative impact. This year a very wet spring caused significant delays in planting, with some farmers not finishing until early July. The wet start gave way to a dry late summer and fall, creating unusual issues with shallow rooted corn. Even after the late start, the dry and warm extended fall had many farmers finishing harvests earlier than they have in years.

Wisconsin Farm Bureau continues to work to support farmers across the state. Having successfully lobbied for a very agriculture-friendly Wisconsin state budget, Wisconsin Farm Bureau has been directly involved in implementing the newly created Agricultural Roads Improvement Program (ARIP). Additionally, our members have seen the benefit of increased funding for the Ag in the Classroom program, and several programs within the Department of Agriculture, Trade, and Consumer Protection to improve the function and efficiency of Wisconsin farms.

Wisconsin agriculture is now a $116 billion industry that provides more than 350,000 jobs with nearly one in ten Wisconsinites employed directly in the industry. The farms and processing facilities that blanket much of our state come in all shapes and sizes and are anchor employers in our rural communities. The dollars that come from these facilities are spent over and over in local communities around the state. What's good for Wisconsin farmers is truly good for Wisconsin.

As we come to the end of 2024, Wisconsin farmers face continued challenges. Wisconsin Farm Bureau will continue to work with policymakers and our agricultural partners to make sure Wisconsin is a place where farms not only survive but thrive, so we can continue to pass down our heritage and our ability to feed our state, nation and world, to future generations.

Uken is chief administrative officer (CAO) 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.

WISCONSIN **ECONOMIC** REPORT

Mike Semmann, President and CEO of the Wisconsin Grocers Association

Price Check on Every Product in All Aisles

Consumer Sentiment, Competition, and Consolidation Drive Wisconsin's Grocery Industry

In 2025, Wisconsin's grocery industry will continue to be highly competitive and complex with razor-thin margins, maintaining a focus on the consumer. Wisconsin's grocers continue to stand at the ready to provide value through evolving consumer behaviors, a strong competitive environment, and increased consolidation.

The Consumer Price Index and food price inflation captured the public's attention and became a high-profile component of the economic and political narrative over the last 18 months. Since the inflationary peak, food price inflation remains on a solid path and prices on staple items this past holiday season experienced areas of disinflation. Overall, inflationary pressures and the resulting increase in the cost of goods and services will likely persist, placing continued financial burdens on American households. This will have a lasting impact on consumer sentiment which has seen a temporary upswing following the 2024 elections, spurred by optimism about future business conditions. Clouds may be on the horizon as speculation about tariffs have economists' expectations focused on the potential to raise consumer prices, which may temper enthusiasm. Middle- and low-income consumers, already strained by elevated costs, are likely to maintain their line of sight on value-oriented shopping.

Although pricing, promotion, and convenience strategies are important competitive tools, grocers who want to win the consumer sentiment battle in 2025 must also attend to market differentiation through good products and quality service. The ultimate measure is only when a grocer's product and service offerings result in increased sales and additional customer loyalty. Arriving at the correct formula is the difference between success and failure in the low-margin grocery business. Differentiation is not a linear process; it is the result of trial and error, which may not favor some risk-averse owners, who are still weary after the pandemic.

Competition between grocery retailers is a clear advantage for consumers. According to reports, Wisconsin households enjoy the lowest weekly grocery expenses in the nation ($221), thanks to a combination of unique advantages that work together to keep costs down. These include the state's relatively low cost of living, smaller average household size (2.31 persons), proximity to subsidized Midwestern agricultural producers, culture, and competition for the consumer's dollar.

While the pandemic years slowed growth on new brick & mortar construction, the industry has seen some new store activity in 2024 with companies in the upper-Midwest and Wisconsin having planned openings of grocery stores with sizeable footprints.

As a result, the highly competitive U.S. grocery industry will continue to see corporate consolidation. The likely industry M&A activity will result as real (or even perceived) regulatory scrutiny eases and grocers will seek to reap the benefits of more optimal economies of scale. Changes in the regulatory environment will take time; however, at a minimum, regional players will continue to acquire distressed grocers, especially smaller operations with one or two stores.

The grocery industry has become much more complex, and for grocers who are able to implement changes that help differentiate themselves in the marketplace, 2025 will be a productive and profitable year.

Semmann 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.

WISCONSIN **ECONOMIC** REPORT

Eric Borgerding, President and CEO of the Wisconsin Hospital Association

Addressing Financial Strain, Workforce Shortages and Administrative Complexity in Health Care

As we look ahead to 2025, hospitals across Wisconsin are under unprecedented financial pressure. Rising inflation, labor costs and flat reimbursement are severely impacting hospital margins and access to care.

In the last two years, supply costs have grown by 17% and labor costs 11%. Despite these mounting expenses, hospitals are reimbursed at rates that do not reflect the true cost of care, particularly in light of rising patient volumes and increasingly complex cases. As a result, in 2023 one-third of Wisconsin's hospitals, nearly all of which are non-profit and treat all patients who come through their doors, operated in the red.

In early 2024, two hospitals in Chippewa Valley closed. The vast majority of patients served by those hospitals were covered by Medicare and Medicaid, government programs that reimburse hospitals well below the cost of providing care and patients from which many for-profit hospitals and surgery centers refuse to care for. In fact, the two hospitals that closed in 2024 lost $56 million in the two years leading up to their closure. Service lines, such as labor and delivery care, are also shrinking in parts of the state. At least 14 hospitals have had to stop delivering babies since 2014.

Hospitals are also burdened with growing bureaucracy and the cost of health care "middlemen"—insurance companies, third-party administrators and many others that occupy the space between patients and health care providers. They introduce unnecessary layers of bureaucracy that drive up administrative expenses without improving, and sometimes harming, patient care. Insurance denials, delayed authorizations and complex claims processes create inefficiencies that hospitals must absorb, further adding to the cost of care and exacerbating workforce challenges.

Looking ahead, the demand for health care services is expected to intensify, driven by Wisconsin's aging population. By 2030, one in four Wisconsinites will be over the age of 65, further heightening the demand for health care. Meanwhile, hospitals will continue grappling with workforce shortages, making it even harder to meet the growing demand for care. Administrative burden will only exacerbate this situation, as hospitals are required to spend valuable staff and resources navigating increasingly complex, care-denying insurance systems and regulatory requirements.

We can begin addressing—and even reversing—some of these challenges by enacting public policies that enhance reimbursement from Medicare and Medicaid services, investing in the health care workforce, and increasing transparency around the role of "middlemen" in health care and the resources they drain from the system.

By tackling these issues head-on, we can help ensure that Wisconsin's hospitals remain financially viable and able to continue delivering essential care to our communities. The health care landscape is evolving, but with the right policies in place, we can navigate these changes and ensure a healthier future for all Wisconsinites.

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.

WISCONSIN **ECONOMIC** REPORT

Kurt R. Bauer, President and CEO of Wisconsin Manufacturers & Commerce

What Will Trump II Mean for Business?

I think it is fair to say that the second Trump term will look a lot like the first, but perhaps a bit more populist. I make that prediction based on the people Trump has surrounded himself with, both informally, like Elon Musk and Joe Rogan, and formally, like cabinet and subcabinet selections, including Robert Kennedy, Jr. for Secretary of the Department of Health and Human Services and Tulsi Gabbard for Director of National Intelligence. I would label all of those people as more center left on the political spectrum than center right.

But the big question for business leaders is what will Trump II mean for the economy. Here are the bellwether issues to watch.

Taxes: Tariffs and border security are getting most of the pre-inaugural media attention, but keep in mind that many of the Trump-Ryan tax reforms, enacted in 2017, will expire in 2025.

President Biden and Vice President Harris had both proposed raising the federal corporate rate to 28 percent, while Trump has said he wants to lower it to 20 percent. More importantly, he told the New York Economic Club before the election he would support lowering the rate for manufacturers to 15 percent. Doing so would be an added incentive to move critical production back to not just North America (near shoring), but to the U.S. (reshoring).

Energy: If elected, Harris would have pursued an anti-carbon agenda that would have eventually and intentionally spiked energy costs, similar to what has occurred in Germany.

By contrast, Trump fully embraces the bounty of North America's vast energy resources, which is an incalculable economic advantage for the U.S. economy, particularly for the manufacturing and agriculture sectors. But if he is forward thinking, Trump should also encourage the expansion of nuclear energy, which the U.S. has underutilized for decades.

Mining: As mentioned above, North America is rich in resources, including the metals and minerals necessary to produce advanced electronics. The problem is that the radical environmentalists, as well as onerous permitting requirements, have blocked attempts to extract those resources. But with China placing a ban on the export of rare earth minerals, the U.S. needs to fast track the exploration, permitting, extraction, and processing of rare earths.

Regulations: In 2022, the National Association of Manufacturers (NAM) calculated that it costs U.S. businesses an incredible \$3.079 trillion (yes, trillion) to comply with federal regulations. That amount is equal to 12% of U.S. GDP, and larger than the manufacturing sector's total economic output. It is also higher than all but 6 of the world's largest economies.

In his first term, Trump mandated that three regulations be struck from the federal registry before a new one could be added. For his second term, Trump has empowered Musk and Vivek Ramaswamy to create the unofficial Department of Government Efficiency (DOGE). The plan is to have DOGE issue a report on cutting \$2 trillion from the federal budget by 2026.

There are few things Trump can do to ignite economic activity more than by reducing the cost of government regulation.

Inflation: Inflation supplanted the labor shortage as the top issue facing Wisconsin businesses in the last WMC Employer Economic Survey (Summer 2024). The DOGE initiative can help ease inflation to some extent. So can reducing the budget deficit, which is expected to be around \$1.8 trillion in 2024. As mentioned, Trump has a track record of cutting regulation. But he wasn't a deficit or debt hawk in his first term. And if Trump's tariff strategy backfires, it could spark higher inflation.

Tariffs: In his first term, Trump was arguably the most pro-manufacturing president in the last 80 years because he lowered taxes, achieved energy independence, and used tariffs as a negotiating tool when other nations created an unlevel playing field for U.S.-made products and goods. But threatening to impose tariffs is risky. It's great if it forces other countries to change their behavior, but retaliatory tariffs could threaten access to components U.S. manufacturers need and can't source domestically.

Border Security: Exit polls showed that this was THE winning issue for Trump and if he has a mandate, it is on securing the border and, to some extent, following through on his pledge to deport "the worst of the worst" illegal immigrants. The question is how will Trump decide who gets deported and how will it be implemented? Another question is will he simultaneously reform the legal immigration system, particularly how work visas are issued. Wisconsin businesses across the economy desperately need workers and legal immigration has to be part of the solution.

Bauer is president and CEO of Wisconsin Manufacturers & Commerce.

WMC is the combined State Chamber of Commerce, Manufacturers' Association and Safety Council. WMC represents 3,800 businesses of all sizes and from every sector of the economy.

WISCONSIN **ECONOMIC** REPORT

Tom Larson, President and CEO of the Wisconsin Realtors Association
With insights from **David Clark**, Marquette University Professor Emeritus of Economics

Modest Inventory Improvements Lead to Slight Growth in Home Sales but Affordability Challenges Remain

After peaking at more than 91,000 existing home sales in 2021, the next two years saw a contraction of home sales, with just over 78,000 closed homes in 2022 and about 64,500 homes sold in 2023. Fortunately, if the pace of sales established through the first ten months of 2024 continues through year's end, we should see just over 67,000 homes sold, which is an annual increase of 4.1% over 2023.

Inventory improvements are one reason for the growth in sales. Months of supply compares the number of inventory of homes available for sale in a given month with the average monthly sales over the most recent 12-month period. A rule-of-thumb used by housing analysts is that a market is balanced when there are six months of available supply. Using that benchmark, Wisconsin has been classified as a seller's market for more than seven years. On an annualized basis, the average months of supply fell from 5.5 months in 2017 to just 2.6 months in 2022, indicating a very strong seller's advantage in the market. Fortunately, we've seen modest improvements the last two years, with an average of 3.1 months of supply in 2023 and 3.5 months through the first 10 months of 2024. Furthermore, our new listings of existing homes began improving in August of 2023 and has shown positive growth for 11 of the past 13 months. Simply put, home sales improved because there are more homes on the market.

Although the inventory growth is a positive sign, the unmet demand from millennials has kept significant pressure on home sale prices. Through October of 2024, year-to-date median prices are up 8% which combined with persistently high mortgage rates and relatively flat income levels has created significant challenges for affordability. The WRA Housing Affordability Index measures the percent 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 fell to 115% in June 2024, which is the lowest level recorded since WRA began computing the affordability index in 2009. Although the index increased to 127% in October, this is well below the levels of just three years earlier when it stood at 203%. Unfortunately, the severe affordability problem has sidelined some potential first-time buyers who need mortgage rates to come down to effectively compete in this tight market.

In the immediate aftermath of the short but steep pandemic-induced recession in spring 2020, the Fed lowered the short-term Federal Funds rate to near zero to avoid a more serious economic crisis. Unfortunately, these low interest rates combined with significant increases in deficit spending created strong inflationary pressures, and the Fed began aggressively increasing rates in March 2022 to fight inflation. It eventually increased the Federal Funds rate by 5.25% over the next 17 months. The good news is that core inflation has come down, and although it remains above the Fed's 2% target rate, the Fed decided it needed to begin lowering the interest rates to avoid creating a recession. Through the first three quarters of 2024, real (inflation adjusted) GDP has been positive suggesting that the Fed has achieved a soft landing (i.e., slowing the economy enough to tame inflation without causing a recession).

The incoming Trump administration has indicated a commitment to lowering the regulatory burden to increase economic productivity and maintain full employment, while also increasing domestic energy production to further reduce inflationary pressures. Hopefully, the administration also will make progress on the deficit, since deficit spending puts upward pressure on longer term interest rates like the 10-year treasury yield. Reducing deficit spending can help bring down other long-term rates like the 30-year fixed mortgage rates.

State and local policymakers need to also do their part. Pro-business policies should keep Wisconsin employers competitive and promote income growth for Wisconsin workers. However, we also need to offer affordable housing options for the next generation of workers. Keeping the property tax burden low and promoting new residential construction will help alleviate the shortage and fuel continued growth in the state economy.

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

Founded in 1909, WRA is one of the largest trade associations in Wisconsin. It represents and provides services to more than 15,000 members statewide.

WISCONSIN **ECONOMIC** REPORT

Tom Still, President of the Wisconsin Technology Council

Thriving Amid Turmoil: Wisconsin's Economic Resilience in 2025

It sometimes feels like the world has come unhinged. Wars, democracies wrenched by deep political divisions, a healthcare CEO gunned down in Manhattan to seeming social media applause, and drug-induced decay eating at us from within.

In stark contrast, public markets continue to flirt with records, economic growth forecasts are in the 2%-plus range, Bitcoin prices surged past $100,000 in December, U.S. employers added 227,000 jobs in November alone, and inflation is receding.

No one ever said economies must be in sync with societal dysfunction.

As 2025 unfolds in Wisconsin, economic expansion appears on track here for much of the state as well as nationally, in part prompted by the same trends that are redefining technology sectors on a broad front – artificial intelligence, renewed investment, and innovation in health care and advanced manufacturing.

Work will accelerate this year on the Microsoft data center in Racine County, where existing infrastructure from the Foxconn deal saves time and money. Don't be surprised if other Wisconsin data center announcements occur as uses of artificial intelligence grow and companies recognize the state's physical and talent advantages.

Eli Lilly's decision to acquire the Nexus Pharmaceutical plant in Kenosha County and to expand it with 750 jobs is further evidence that tech-based manufacturing can flourish on the "I-Q Corridor" that connects Chicago, southeast Wisconsin and Madison. The "I" is not just for interstate but innovation, intellectual property, and investment, with the "Q" denoting quality.

In Madison, tech companies such as Epic, Promega, Exact Sciences, Zendesk, GrocerKey, Fetch Rewards, and Elephas are thriving, with another generation of startups coming up. Angel and venture capital investment rebounded a bit statewide in the second half of 2024 (the peak year was 2021 at $869 million) and could continue in the new year.

Some initiatives likely to surface in the 119th Congress would help Wisconsin and other states if enacted. They include full restoration of research and development tax breaks and increasing tax deductions for startup business costs. State-by-state efforts to regulate AI may be "trumped" by federal rules that avoid patchwork approach to regulation.

The National Science Foundation's "Regional Innovation Engines" program is fostering innovation in places prepared to show results that can be replicated elsewhere. One Wisconsin program has made an early cut with a proposal tied to regenerative agriculture. Already approved by the federal Economic Development Administration, with state support, is a Biohealth Tech Hub to connect companies and researchers on the I-Q Corridor.

A nagging concern is the rural economy, but Wisconsin's rural population is growing and even outpacing other Midwest states. Between 2000 and 2022, Wisconsin's rural population increased 5.1%, second in the Midwest to North Dakota. Still, come counties witnessed small declines. A state report covering 2020 through 2023 noted seven counties with decreases exceeding one-half of 1%, but only one of county lost more than 200 people.

Society is not without its challenges, but economic trends can transcend those problems – at least for a while. Such may be the story of 2025.

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.