



Metropolitan Milwaukee
Association of Commerce

NEWS RELEASE

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MMAC Business Outlook Survey Fourth-Quarter, 2010

October 1, 2010 – A tepid business environment is forecast for 2010’s fourth quarter, according to a business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). A majority of companies surveyed see sales and profit gains in 2010’s fourth quarter and those surveyed are more likely to predict job gains than losses, but in each case the level of optimism was less than that expressed in the third-quarter survey.

“Quarterly business expectations dipped a bit for the first time in one and one-half years,” said Bret Mayborne, the MMAC’s economic research director. “While current expectations probably do not foreshadow a double-dip recession, they likely suggest near-term sluggishness in the pace of the economic recovery.”

Fifty-nine percent of all businesses surveyed see real sales gains in 2010’s fourth quarter (vs. year-ago levels), down from the 66% who forecast third-quarter sales increases. Seventeen percent predict fourth-quarter sales declines (vs. 2009's fourth quarter) while 24% expect no change. Optimism toward quarterly sales increases fell for the first time in six quarters (since 2009’s second quarter).

Manufacturers were more likely to predict sales gains than non-manufacturers. Sixty-seven percent of manufacturers see fourth-quarter sales gains (vs. 2009's fourth quarter), while 54% of non-manufacturers see such increases. Expectations varied little by firm size – 59% of large

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companies (100 or more employees) surveyed see fourth-quarter sales gains vs. 58% among small companies.

Fifty-six percent of all surveyed businesses predict fourth-quarter profit gains (vs. 2009's fourth quarter), lower than the 62% who saw third-quarter increases (vs. year-ago levels). Twenty-five percent see profit declines in 2010's fourth-quarter and 19% see no change.

The job situation in the metro area has improved considerably over the course of 2010. While year-over-year job losses have continued, the rate of decline has fallen from a drop of 4.6% in January to August's 0.3% decline (latest available). This trend suggests that renewed year-over-year employment gains for the metro area may be on the near-term horizon.

Results of the business outlook survey suggest that an improving employment situation is likely to continue through the remainder of 2010. Employers expecting fourth-quarter job increases vs. year-ago levels (34%) outnumber those projecting declines (22%), with the largest number (44%) seeing no change. Nonetheless, like sales forecasts, businesses are less confident of job gains now than they were in 2010's third quarter when 43% predicted year-over-year job gains.

Manufacturers are more optimistic on future job prospects than non-manufacturers. Forty-four percent of manufacturers surveyed expect gains in fourth-quarter job levels for their local operations, while only 28% of non-manufacturers see such gains. Large and small employers have similar expectations with 34% of both groups predicting year-over-year employment gains.

Wage and salary expectations remain at low levels. Employers project an average annual increase of 1.7% in per employee wages and salaries over the next 12 months. The forecast average is down from the 2.1% rise projected three months ago. Variations by industry or firm size were relatively small.

Calendar year sales expectations took a step backward from what they were three months ago. With three-quarters of the year complete, 60% of all businesses surveyed see real sales levels increasing for 2010 as a whole. This forecast is down from the 69% who saw calendar year sales gains in June but ranks higher than the 56% who predicted such gains at the beginning of 2010. Currently 22% of businesses expect sales declines for the year as a whole, while 18% predict no change.

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Survey results suggest that lackluster results may creep into the 2011 calendar year. In the first forecast for 2011, only 56% of metro area businesses surveyed expect higher real sales levels in 2011 (vs. 2010) – lower than the percentage who currently project calendar year sales gains for 2010 (60%). These early projections indicate that manufacturers are more likely than non-manufacturers to see 2011 sales gains (63% vs. 52% respectively), while smaller employers registered greater optimism than large employers (61% vs. 49%).

The Business Outlook Survey, conducted by the MMAC, contains responses from 145 Milwaukee area firms, both large and small, employing more than 54,100 people.

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Statistical table attached.

MMAC's Fourth-Quarter 2010 Business Outlook Survey*

	Firms Expecting a:	Employers by Size		Employers by Industry		TOTAL
		Large	Small (1)	Manuf.	Non-Manuf.	
2010 Forecast						
Change in the dollar volume of						
Sales (net of inflationary effects)						
expected by 141 Milwaukee area	RISE :	37 (65%)	47 (56%)	36 (71%)	48 (53%)	84 (60%)
firms for the entire year of 2010	DECLINE :	13 (23%)	18 (21%)	6 (12%)	25 (28%)	31 (22%)
vs. the entire year of 2009:	NO CHANGE :	7 (12%)	19 (23%)	9 (18%)	17 (19%)	26 (18%)
2010 Fourth Quarter (Compared to Previous Quarter)						
Change in dollar volume of Sales						
(net of inflationary effects) expected	RISE :	24 (41%)	40 (47%)	24 (46%)	40 (43%)	64 (44%)
by 144 Milwaukee area firms for 4th	DECLINE :	13 (22%)	18 (21%)	9 (17%)	22 (24%)	31 (22%)
quarter 2010 vs. 3rd quarter 2010:	NO CHANGE :	22 (37%)	27 (32%)	19 (37%)	30 (33%)	49 (34%)
2010 Fourth Quarter (Compared to Same Quarter One Year Ago)						
Change in dollar volume of Sales						
(net of inflationary effects) expected	RISE :	35 (59%)	50 (58%)	35 (67%)	50 (54%)	85 (59%)
by 145 Milwaukee area firms for the	DECLINE:	10 (17%)	15 (17%)	5 (10%)	20 (22%)	25 (17%)
4th quarter 2010 vs. 4th quarter 2009:	NO CHANGE :	14 (24%)	21 (24%)	12 (23%)	23 (25%)	35 (24%)
Change in the dollar volume of						
Profits expected by 143 Milwaukee						
firms for the 4th quarter 2010 vs.	RISE :	35 (60%)	45 (53%)	34 (65%)	46 (51%)	80 (56%)
4th quarter of 2009:	DECLINE :	13 (22%)	23 (27%)	10 (19%)	26 (29%)	36 (25%)
	NO CHANGE :	10 (17%)	17 (20%)	8 (15%)	19 (21%)	27 (19%)
Change in the level of Total						
Employment expected by 145						
Milwaukee area firms for the 4th	RISE :	20 (34%)	29 (34%)	23 (44%)	26 (28%)	49 (34%)
quarter 2010 vs. 4th quarter 2009:	DECLINE :	14 (24%)	18 (21%)	5 (10%)	27 (29%)	32 (22%)
	NO CHANGE :	25 (42%)	39 (45%)	24 (46%)	40 (43%)	64 (44%)
Wages & Salaries						
Average change in the per person,						
employee Wages & Salaries						
expected in the next 12 months:	AVERAGE :	1.8%	1.7%	1.9%	1.6%	1.7%
2011 Forecast						
Change in the dollar volume of						
Sales (net of inflationary effects)						
expected by 144 Milwaukee area	RISE :	29 (49%)	52 (61%)	33 (63%)	48 (52%)	81 (56%)
firms for the entire year of 2011	DECLINE :	5 (8%)	4 (5%)	3 (6%)	6 (7%)	9 (6%)
vs. the entire year of 2010.	NO CHANGE :	25 (42%)	29 (34%)	16 (31%)	38 (41%)	54 (38%)

* Percentages may not sum to 100 due to rounding.

(1) Employment of less than 100 people.