

WISCONSIN ECONOMIC FORECAST UPDATE: MARCH 2021

AS OF MARCH 31st, SUBJECT TO ONGOING REVISION

Given the uncertainty facing US and global economic conditions, this outlook is reflective of the current data available and is subject to significant revisions, as additional information and national forecasts become available.

- The March IHS Markit forecast expects strong real GDP growth of 5.5% in 2021 and 4.1% in 2022. This includes the recently enacted \$1.9 trillion American Rescue Plan, but it does not include the recently proposed \$2 trillion American Jobs Plan, which could further boost the short-term expectations for the economy.
- The economic impact of the pandemic has been uneven among industries and income groups, deepening income inequality.
- Employment bottomed in April of 2020 and has been growing slowly since, recovering close to 60% of the jobs lost in Wisconsin and nationwide.
- Wisconsin employment is expected to expand 2.5% in 2021 and 3.3% in 2022. The forecasts expect to reach the pre-pandemic level of employment by 2022Q2.
- Wisconsin personal income growth was 3.4% in 2020, pushed by the federal stimulus funds, and it's expected

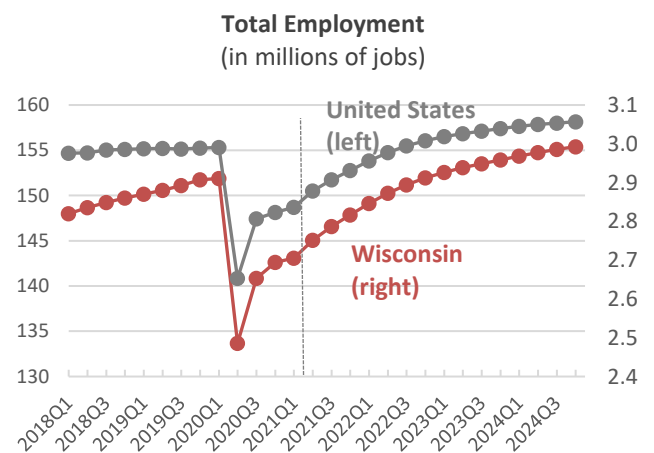
to accelerate to 4.3% in 2021 due to the additional fiscal spending approved this current year.

- The latest IMF's World Economic Outlook, published in January, revised upward the expected growth of the World Output in 2021 to 5.5%, and will be revised upward again to include the latest fiscal stimulus approved in the U.S.
- The U.S. economy was one of the less impacted and fastest to recover due to the unprecedented fiscal conditions. The economic stimulus payments (rebates alone) have provided over \$13.5 billion to Wisconsin households.
- All around the world, mostly the poor, women, youth, the informally employed, and those who work in contact-intensive sectors, such as leisure and hospitality, suffered severe distress.

Since our last forecast in November, the COVID economic recession has shown to be very different compared with previous cycles. While some service industries were negatively affected, some sectors navigated this recession suffering minor setbacks, and others benefited from rapid changes in the economy (e-commerce, tech, housing, pharmaceuticals). Low-wage services workers and small business were disproportionately impacted, leading to increasing income inequality. This, on top of the unprecedented federal stimulus, explains why some economic indicators fared better than expected. The uneven impact of the current economic pain is also reflected in higher-than-expected tax revenue as job and income losses were concentrated at income levels with low tax liabilities.

Recent jobs data released by the Bureau of Labor Statistics (BLS) show that Wisconsin lost 14% (408,000 jobs) of its employment during the first two months of the pandemic, while the U.S. lost 15% of employment (more than 22 million jobs). The vaccine rollout and the return of consumer confidence are instrumental to the nationwide economic recovery.

The forecast expects employment to grow 2.5% in 2021 and 3.3% in 2022. Wisconsin is expected to reach the pre-COVID-19 level of employment by late 2022. This is slightly faster than the pace of the US, which will reach that level of employment by the end of 2022.

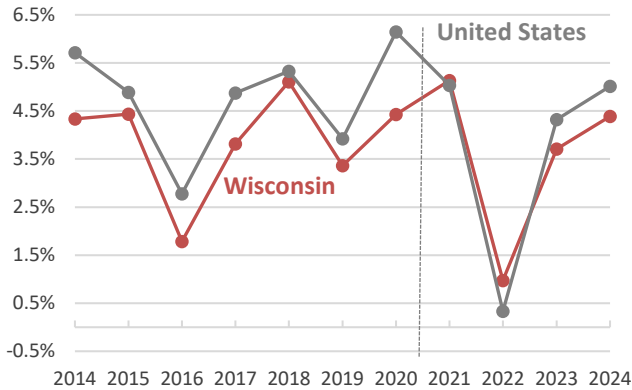


Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

Recently published state personal income estimates from the Bureau of Economic Analysis (BEA) show growth in 2020 of 4.4% in Wisconsin, compared to 6.1% nationwide and 6.2% in the Great Lakes. The main driver of personal income growth

was personal transfer receipts (including stimulus rebates and unemployment compensation), which jumped 27.4% in Wisconsin and 36.6% in the U.S. The second and third rounds of fiscal stimulus were disbursed in 2021 and will push personal income growth this year to 5.1% in Wisconsin and 5.0% in the US.

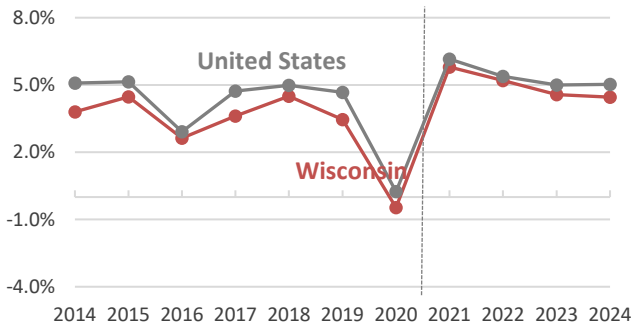
Personal Income Growth



Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

In 2020, wages and salaries declined 0.5% in Wisconsin but increased 0.2% nationwide. The forecast expects wage and salary income to recover strongly in 2021 posting growth of 5.8% in Wisconsin and 6.2% nationwide. The rest of the forecasted period shows continued strong growth above 4.0% in Wisconsin and the U.S.

Wages and Salaries Growth



Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

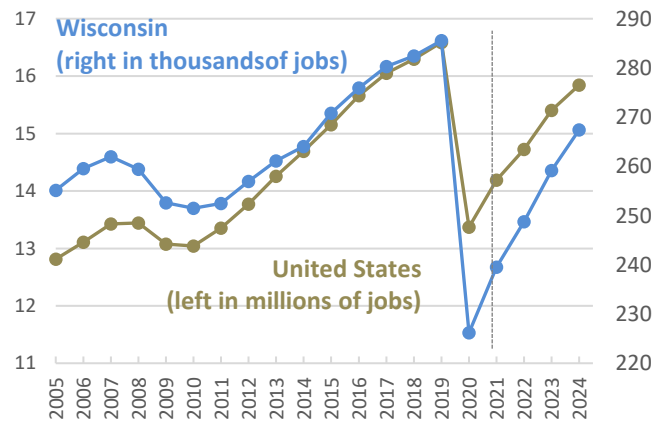
Labor markets were shocked with unprecedented sudden job loss at the beginning of the pandemic. Wisconsin employment dropped 14% and the unemployment rate jumped from 3.2% to 14.8% in April 2020. A year later, the unemployment rate is back down at 3.8%, but Wisconsin is still 165,000 jobs behind the employment levels of a year ago. The recovery left behind some of the more vulnerable workers in the services sectors, hitting low-wage workers the

hardest. The industries still suffering greatly are leisure and hospitality (-62,000), education and health services (-24,000) and state and local government (-36,000).

The forecast expects total employment to grow 2.5% in 2021 and 3.3% in 2022, thus allowing the state to reach its pre-pandemic number of jobs by the third quarter of 2022. The goods producing sectors fared better during the decline and particularly during the recovery, fueled by the strong financial situation of middle- and high-income groups that were able to retain their income and still received a benefit from the stimulus rebates. Housing related sectors, non-store retailers and savings were some of the winners.

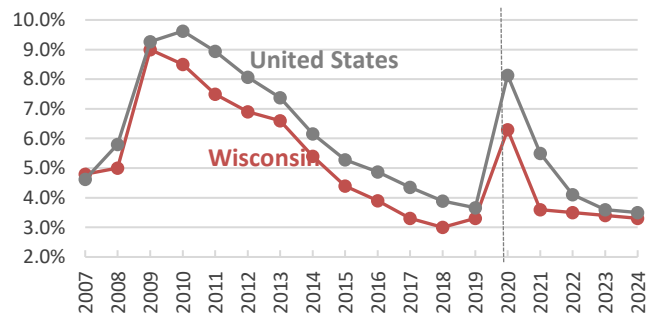
The leisure and hospitality sector is not expected to fully recover during the forecasted period. By the end of 2024, employment in this sector will still be below its peak of February 2020 by 6% in Wisconsin and 5% in the U.S., even though total population is expected to grow during those five years.

Leisure and Hospitality Services



Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

Unemployment Rate



Sources: Bureau of Labor Statistics (LAUS) and Wisconsin DOR (forecast).

Employment (Annual)**Table 1. Wisconsin CES Employment Forecast: Industry Detail**

(Thousands of jobs)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Total Nonfarm	2,951.9	2,980.3	2,987.8	2,818.3	2,888.3	2,983.9	3,029.2	3,051.4
% Change	0.8	1.0	0.3	-5.7	2.5	3.3	1.5	0.7
Private Nonfarm	2,540.9	2,567.2	2,578.1	2,431.7	2,499.3	2,580.8	2,619.7	2,639.2
% Change	1.0	1.0	0.4	-5.7	2.8	3.3	1.5	0.7
Natural Resources & Mining	4.3	4.7	4.2	3.5	3.7	3.8	4.0	4.2
% Change	15.8	8.6	-11.7	-16.2	4.9	4.9	5.0	5.2
Construction	117.4	122.4	124.5	124.0	127.1	127.1	125.1	123.7
% Change	4.2	4.2	1.8	-0.4	2.5	0.1	-1.6	-1.1
Manufacturing	470.5	479.6	483.5	459.5	470.2	477.8	480.0	476.4
% Change	0.6	1.9	0.8	-5.0	2.3	1.6	0.5	-0.8
Trade, Transportation & Utilities	539.2	540.2	535.5	518.3	532.6	543.6	547.3	548.5
% Change	0.5	0.2	-0.9	-3.2	2.8	2.1	0.7	0.2
Information	47.9	47.2	47.1	44.9	46.0	47.7	48.0	48.3
% Change	-2.5	-1.4	-0.3	-4.5	2.3	3.8	0.7	0.6
Financial Activities	152.8	153.0	154.5	152.2	152.3	157.2	159.4	160.3
% Change	0.6	0.1	1.0	-1.5	0.1	3.2	1.4	0.6
Professional & Business Services	325.8	328.2	326.6	309.7	323.0	346.6	358.1	367.2
% Change	1.0	0.7	-0.5	-5.2	4.3	7.3	3.3	2.5
Education & Health Services	451.3	457.3	464.1	449.6	454.8	469.1	476.6	480.6
% Change	1.4	1.3	1.5	-3.1	1.2	3.1	1.6	0.9
Leisure & Hospitality	280.3	282.4	285.5	226.2	239.6	248.8	259.2	267.5
% Change	1.6	0.8	1.1	-20.8	5.9	3.8	4.2	3.2
Other Services	151.4	152.2	152.7	143.8	150.1	159.1	162.0	162.6
% Change	1.0	0.5	0.3	-5.8	4.4	6.0	1.8	0.3
Government	411.0	413.2	409.7	386.7	389.0	403.1	409.5	412.1
% Change	-0.8	0.5	-0.8	-5.6	0.6	3.6	1.6	0.6
Federal Government	29.0	29.1	29.3	30.8	30.5	30.4	30.2	30.1
% Change	0.0	0.3	0.7	5.2	-1.1	-0.4	-0.4	-0.4
State & Local Government	382.0	384.1	380.4	355.9	358.6	372.8	379.3	382.0
% Change	-0.9	0.5	-1.0	-6.5	0.8	4.0	1.7	0.7

Table 2. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Labor Force	3,122.1	3,106.3	3,094.5	3,065.0	3,068.9	3,095.7	3,109.5	3,121.7
% Change	0.4	-0.5	-0.4	-1.0	0.1	0.9	0.4	0.4
Employment	3,020.3	3,012.5	2,993.2	2,873.0	2,969.2	3,050.6	3,089.2	3,105.1
% Change	1.1	-0.3	-0.6	-4.0	3.3	2.7	1.3	0.5
Unemployment Rate (%)	3.3	3.0	3.3	6.3	3.6	3.5	3.4	3.3

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Employment (Quarterly)

Table 3. Wisconsin CES Employment Forecast: Industry Detail
(Thousands of jobs, seasonally adjusted data, annual rate of change)

	History				Forecast			
	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4
Total Nonfarm	2,990.6	2,653.3	2,806.5	2,823.0	2,836.4	2,878.3	2,907.2	2,931.5
% Change	0.2	-38.0	25.2	2.4	1.9	6.0	4.1	3.4
Private Nonfarm	2,578.8	2,285.3	2,419.2	2,443.3	2,454.8	2,491.9	2,515.3	2,535.3
% Change	0.0	-38.3	25.6	4.1	1.9	6.2	3.8	3.2
Natural Resources & Mining	3.9	3.4	3.2	3.4	3.6	3.7	3.7	3.7
% Change	-6.6	-39.9	-21.3	22.3	27.8	3.6	1.0	7.9
Construction	126.8	120.1	122.5	126.6	123.8	129.6	127.2	127.6
% Change	3.4	-19.4	8.4	14.0	-8.5	20.0	-7.3	1.4
Manufacturing	479.0	444.6	452.3	462.3	466.3	469.2	471.7	473.7
% Change	-1.7	-25.8	7.1	9.2	3.5	2.4	2.2	1.7
Trade, Transportation & Utilities	535.9	491.7	522.3	523.1	526.6	529.8	534.9	539.0
% Change	0.5	-29.1	27.3	0.6	2.7	2.5	3.8	3.1
Information	47.1	44.0	44.3	44.3	44.8	46.0	46.4	46.7
% Change	0.9	-24.1	3.4	0.0	4.4	11.0	3.4	2.6
Financial Activities	154.9	150.8	151.9	151.1	150.1	152.1	153.2	153.8
% Change	0.3	-10.2	2.9	-2.1	-2.6	5.3	3.1	1.5
Professional & Business Services	324.6	295.0	305.0	314.2	320.2	321.1	323.9	326.9
% Change	-0.8	-31.8	14.3	12.6	7.8	1.1	3.6	3.7
Education & Health Services	468.3	431.9	450.5	447.6	445.8	452.4	459.0	462.1
% Change	1.6	-27.6	18.3	-2.5	-1.6	6.1	6.0	2.7
Leisure & Hospitality	285.3	171.2	223.5	224.9	228.1	238.9	243.8	247.4
% Change	-2.0	-87.0	190.5	2.5	5.9	20.3	8.5	6.0
Other Services	153.1	132.6	143.6	145.8	145.4	149.2	151.5	154.4
% Change	0.9	-43.7	37.4	6.3	-1.1	10.9	6.3	7.7
Government	411.7	367.9	387.3	379.7	381.6	386.4	391.8	396.3
% Change	1.6	-36.2	22.8	-7.6	2.0	5.1	5.8	4.6
Federal Government	29.8	30.0	33.0	30.5	30.5	30.5	30.5	30.4
% Change	6.5	2.7	47.1	-26.7	-0.4	-0.4	-0.3	-0.4
State & Local Government	382.0	338.0	354.3	349.2	351.1	355.9	361.4	365.8
% Change	1.3	-38.7	20.8	-5.7	2.2	5.6	6.3	5.0

Table 4. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4
Labor Force	3,075.3	3,054.4	3,076.1	3,054.1	3,059.8	3,062.1	3,070.8	3,082.7
% Change	-2.6	-2.7	2.9	-2.8	0.7	0.3	1.1	1.6
Employment	2,974.5	2,710.2	2,886.7	2,920.6	2,941.7	2,953.2	2,979.6	3,002.2
% Change	-2.4	-31.1	28.7	4.8	2.9	1.6	3.6	3.1
Unemployment Rate (%)	3.3	11.3	6.2	4.4	3.8	3.6	3.5	3.6

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Employment (Quarterly)

Table 3b. Wisconsin CES Employment Forecast: Industry Detail

(Thousands of jobs, year-over-year change)

	History				Forecast			
	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4
Total Nonfarm	2,990.6	2,653.3	2,806.5	2,823.0	2,836.4	2,878.3	2,907.2	2,931.5
% Change	0.2	-38.0	25.2	2.4	-5.2	8.5	3.6	3.8
Private Nonfarm	2,578.8	2,285.3	2,419.2	2,443.3	2,454.8	2,491.9	2,515.3	2,535.3
% Change	0.0	-38.3	25.6	4.1	-4.8	9.0	4.0	3.8
Natural Resources & Mining	3.9	3.4	3.2	3.4	3.6	3.7	3.7	3.7
% Change	-6.6	-39.9	-21.3	22.3	-7.3	6.2	13.1	9.6
Construction	126.8	120.1	122.5	126.6	123.8	129.6	127.2	127.6
% Change	3.4	-19.4	8.4	14.0	-2.3	7.9	3.8	0.8
Manufacturing	479.0	444.6	452.3	462.3	466.3	469.2	471.7	473.7
% Change	-1.7	-25.8	7.1	9.2	-2.6	5.5	4.3	2.5
Trade, Transportation & Utilities	535.9	491.7	522.3	523.1	526.6	529.8	534.9	539.0
% Change	0.5	-29.1	27.3	0.6	-1.7	7.8	2.4	3.0
Information	47.1	44.0	44.3	44.3	44.8	46.0	46.4	46.7
% Change	0.9	-24.1	3.4	0.0	-4.9	4.6	4.6	5.3
Financial Activities	154.9	150.8	151.9	151.1	150.1	152.1	153.2	153.8
% Change	0.3	-10.2	2.9	-2.1	-3.1	0.9	0.9	1.8
Professional & Business Services	324.6	295.0	305.0	314.2	320.2	321.1	323.9	326.9
% Change	-0.8	-31.8	14.3	12.6	-1.3	8.8	6.2	4.0
Education & Health Services	468.3	431.9	450.5	447.6	445.8	452.4	459.0	462.1
% Change	1.6	-27.6	18.3	-2.5	-4.8	4.7	1.9	3.2
Leisure & Hospitality	285.3	171.2	223.5	224.9	228.1	238.9	243.8	247.4
% Change	-2.0	-87.0	190.5	2.5	-20.0	39.6	9.1	10.0
Other Services	153.1	132.6	143.6	145.8	145.4	149.2	151.5	154.4
% Change	0.9	-43.7	37.4	6.3	-5.0	12.5	5.5	5.9
Government	411.7	367.9	387.3	379.7	381.6	386.4	391.8	396.3
% Change	1.6	-36.2	22.8	-7.6	-7.3	5.0	1.2	4.4
Federal Government	29.8	30.0	33.0	30.5	30.5	30.5	30.5	30.4
% Change	6.5	2.7	47.1	-26.7	2.5	1.7	-7.7	-0.4
State & Local Government	382.0	338.0	354.3	349.2	351.1	355.9	361.4	365.8
% Change	1.3	-38.7	20.8	-5.7	-8.1	5.3	2.0	4.8

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4
Labor Force	3,075.3	3,054.4	3,076.1	3,054.1	3,059.8	3,062.1	3,070.8	3,082.7
% Change	-0.6	-1.3	-0.7	-1.3	-0.5	0.3	-0.2	0.9
Employment	2,974.5	2,710.2	2,886.7	2,920.6	2,941.7	2,953.2	2,979.6	3,002.2
% Change	-0.7	-9.4	-3.5	-2.4	-1.1	9.0	3.2	2.8
Unemployment Rate (%)	3.3	11.3	6.2	4.4	3.8	3.6	3.5	3.6

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Wisconsin Personal Income (Annual)

Table 5. Wisconsin Personal Income by Major Source

(\$ Billions)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Total Personal Income	285.2	299.8	309.9	323.6	340.2	343.5	356.2	371.8
% Change	3.8	5.1	3.4	4.4	5.1	1.0	3.7	4.4
Wages and Salaries	143.8	150.2	155.4	154.7	163.7	172.2	180.0	188.1
% Change	3.6	4.5	3.5	-0.5	5.8	5.2	4.6	4.5
Supplements to Wages and Salaries	37.2	39.5	40.7	40.3	42.6	44.7	46.7	48.7
% Change	3.2	6.1	3.0	-0.9	5.6	4.9	4.5	4.4
Proprietor's Income	19.1	19.4	21.1	22.0	23.0	23.8	24.7	25.7
% Change	1.5	1.7	8.4	4.3	4.7	3.4	3.9	3.9
Property Income	55.6	59.3	59.7	59.2	59.6	62.4	64.9	67.2
% Change	5.0	6.5	0.8	-0.9	0.6	4.8	3.9	3.6
Personal Interest Income^	23.1	23.7	23.9	23.4	23.0	22.2	21.7	21.9
% Change	4.6	2.5	1.1	-2.4	-1.8	-3.5	-1.9	1.0
Personal Dividend Income^	21.0	23.5	23.3	23.1	23.5	26.2	28.0	29.1
% Change	6.7	11.7	-1.1	-0.8	1.8	11.4	6.8	4.3
Rental Income^	11.5	12.1	12.6	12.8	13.1	14.0	15.1	16.0
% Change	2.6	5.2	3.8	1.9	2.4	7.1	7.6	6.0
Personal Current Transfer Receipts	48.9	51.5	53.9	68.6	73.6	63.7	64.2	67.4
% Change	4.6	5.3	4.6	27.4	7.2	-13.4	0.7	5.1
Residence Adjustment	3.9	3.9	4.1	4.0	4.2	4.4	4.6	4.7
% Change	4.7	1.0	4.1	-1.8	5.2	3.7	3.7	4.0
Contributions to Govt. Social Ins.	23.3	24.0	25.0	25.2	26.4	27.6	28.8	30.0
% Change	4.3	3.2	4.0	1.0	4.7	4.5	4.2	4.2

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Real Personal Income (2012 \$ Billions)*	292.3	302.7	308.3	317.2	326.2	324.2	330.1	337.6
% Change	1.3	2.2	3.5	2.9	2.9	-0.6	1.8	2.2
Population (Millions)	5.79	5.81	5.82	5.83	5.85	5.87	5.88	5.89
% Change	0.3	0.3	0.3	0.1	0.3	0.2	0.2	0.2
Per Capita Income (\$)	49,239	51,611	53,207	55,487	58,141	58,591	60,619	63,135
% Change	3.5	4.8	3.1	4.3	4.9	0.8	3.5	4.2
Personal Tax & Nontax Payments* (\$ Billions)	32.4	32.9	34.6	35.1	36.4	37.3	38.4	39.4
% Change	-0.7	1.8	5.1	1.5	3.6	2.6	2.8	2.6
Disposable Personal Income* (\$ Billions)	252.9	266.9	275.3	288.5	303.9	306.4	318.1	332.7
% Change	4.4	5.5	3.2	4.8	5.3	0.8	3.8	4.6
GDP (\$ Billions)	313.4	320.6	337.6	349.4	339.4	353.2	366.5	380.3
% Change	2.3	2.3	5.3	3.5	-2.9	4.1	3.8	3.8
Real GDP (chained 2012 \$ Billions)	291.3	294.2	303.8	308.0	296.3	303.7	309.6	315.5
% Change	1.1	1.0	3.3	1.4	-3.8	2.5	2.0	1.9

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

*2020 values are forecasted

Wisconsin Personal Income (Quarterly)

Table 7. Wisconsin Personal Income by Major Source
(\$ Billions, seasonally adjusted, annual rate of change)

	History				Forecast			
	2020:1	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4
Total Personal Income	314.1	338.5	320.3	321.7	338.6	358.2	331.4	332.7
% Change	2.2	9.4	3.3	2.9	7.8	5.8	3.5	3.4
Wages and Salaries	156.6	149.7	154.7	157.7	159.8	162.9	165.0	167.0
% Change	1.2	-3.6	-0.1	0.6	2.0	8.8	6.7	5.9
Supplements to Wages and Salaries	40.6	39.5	40.3	40.9	41.7	42.4	42.9	43.4
% Change	0.6	-3.2	-0.7	-0.4	2.7	7.4	6.5	6.1
Proprietor's Income	21.9	20.2	22.4	23.5	22.8	24.1	22.6	22.4
% Change	6.9	-1.7	4.0	7.9	4.4	19.4	1.3	-4.5
Property Income	60.2	59.1	58.4	59.2	58.6	59.2	60.0	60.7
% Change	1.1	-1.1	-2.3	-1.3	-2.7	0.0	2.7	2.5
Personal Current Transfer Receipts	55.9	90.9	65.8	61.9	77.5	91.7	63.2	61.7
% Change	5.3	68.8	21.5	14.0	38.7	0.9	-4	-0.3
Residence Adjustment	4.2	3.8	4.0	4.1	4.1	4.2	4.3	4.3
% Change	2.3	-6.0	-2.5	-0.9	-0.7	10.3	6.2	5.6
Contributions to Government Social Ins.	25.3	24.8	25.3	25.6	25.9	26.3	26.6	26.8
% Change	1.8	-0.8	1.5	1.5	2.6	6.4	5.2	4.9

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

General Purposes Revenues

Table 8. General Purposes Revenues. Fiscal Year-to-Date Through February 2021
(\$ Millions)

	Prior Year	Actual	Percent Change	Expected Revenues	\$ Difference
Individual Income Tax	5,475.4	5,775.3	5.5%	5,722.7	52.6
General Sales Tax	3,480.1	3,575.1	2.7%	3,458.9	116.2
Corporate Franchise Tax	892.0	1,394.1	56.3%	1,145.4	248.7
Other Revenues	763.6	770.3	0.9%	759.4	10.9
Total GPR	10,611.1	11,514.8	8.5%	11,086.4	428.4

Source: Wisconsin Department of Revenue

*Expected values from the Legislative Fiscal Bureau's January 2021 forecast, adjusted for subsequent law changes.

- Individual Income and Sales Tax revenues are running ahead of forecast as consumers gain confidence, businesses continue reopening, and stimulus payments are received.
- Corporate tax revenues, aided by additional payments from the extended due date of estimated payments in July and robust audit collections, continue to show strong growth.
- Total GPR in this table includes insurance premium taxes, collected by the Office of the Commissioner of Insurance.