



Labor Trends—2012 Quarter 4:

Looking Back and Looking Forward

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2012 was certainly an eventful year for Wisconsinites. We were way over exposed to political ads. The Badgers broke our hearts in the Rose Bowl then shocked us with an unexpected conference championship. The Brewers kept us interested to the end of the season. The Packers followed a disappointing playoff loss with an injury riddled but successful regular season (12-4 11-5). Personally, I ended the year with a new job in a new city.

Among all the excitement, 2012's economic growth is best described as lethargic. The nation, state, and region continued to plod along through a stubbornly slow economic recovery. But, to be fair, the economy did continue to recover. This quarter's article breaks down the slow recovery and highlights some positive indicators that are cause for guarded optimism in 2013.

Slow Recovery

The United States entered the "Great Recession" in December 2007. The Recession officially ended in June 2009, but subsequent growth in national gross domestic product (GDP) has been slow. The annual average for all positive growth quarters between 1980 and the start of the most recent recession was 3.5%. The average annual growth rate of all quarters following the Recession has been 2.2%. Only two quarters during the recovery have exceeded the 3.5% mark.

The slow growth can be partially attributed to the historic severity of the Great Recession. The Recession marked a number of firsts: national GDP declined in four consecutive quarters, global GDP declined, and the United States and Japan experienced coinciding recessions. The historically severe recession led to historically severe job loss. No other recession in the post-World War II era compares in either total job loss or duration to regaining the lost jobs. The nation, state, and region have yet to reach pre-recession job levels.

North Central Wisconsin

Employment in the North Central Wisconsin Workforce Development Area (WDA) was hit harder by the Great Recession than the state as a whole. The composition of the manufacturing industry has been a key contributor to the region's struggles. Manufacturing in the North Central WDA was hit particularly hard by the recession because of struggles in two of the region's prominent sub-sectors: paper manufacturing and wood product manufacturing. According to the most recently available data, regional employment in paper manufacturing and wood product manufacturing are about 20% and 40% below pre-recession levels, respectively.

Employment in the region's paper manufacturing industry has been adversely impacted by mill closures. Wood product's struggles can largely be attributed to its tie to the national housing market. The annual rate for of national housing starts plummeted from a monthly high of almost 2.3 million in September 2005 to a low of 519,000 in March 2009. The sharp decline led to decreased demand for the wood products that go into new construction.

Positives

The “Great Recession” earned its name because of its historic severity and subsequent severe job loss. However, a number of indicators suggest positive growth in 2013.

Employment is rising. Wisconsin gained about 37,500 jobs between June 2011 and June 2012. The region gained about 1,000 jobs over the same period. The gains represent employment growth of 1.4% and 0.5% respectively. The growth is certainly modest, but it is a movement in the right direction.

Unemployment rates are declining. November’s seasonally unadjusted unemployment rate stood at 6.3% and 6.9% in the state and region, respectively – down from 8.4% and 8.6% in November of 2009.

Unemployment insurance claims are declining. Initial claims for unemployment insurance were down about 13% in both the state and the WDA when compared to 2011. Continued claims for unemployment insurance were down about 9% in the state and 5% in the WDA when compared to 2011. Both initial and continued claims are creeping closer to pre-recession levels after hitting peaks in 2009.

National housing starts are rising. An estimated 780,000 housing units were started in 2012, up from 608,800 in 2011. Housing starts were at a seasonally adjusted annual rate of 954,000 in December – the highest rate since June of 2008. We almost certainly will not see an annual rate of 2.3 million housing starts in the near or medium term future. However, the 30-year average of about 1.4 million new homes per year is not out of the question.

The market for existing home sales is improving. There were 62,620 existing home sales in Wisconsin in 2012, up from 51,865 in 2011. Home sales also appear to be up in the region. Additionally, data suggests home values are stabilizing after a sharp downward slide.

Rising employment, declining unemployment rates, and declining unemployment insurance claims indicate that more people are back to work. More people back to work means more disposable income. More disposable income helps stimulate economic growth. The housing market is particularly important for North Central’s economy because of the prominence of wood products manufacturing. An improving housing market means more demand for products produced in the region.

2013 and Beyond

As always, I have wildly optimistic expectations for Wisconsin’s sports teams. The Badgers and Packers didn’t end their seasons the way we would have liked. However, the Brewers’ bullpen should be better in 2013, the Badgers new coach seems to be a good fit, and the Packers should be among the top teams in the NFL.

My less biased outlook for the economy is cautiously optimistic. The nation, state, and region still face a number of challenges. The number of people still looking for work is the greatest short-term challenge. The fate of Wausau Paper’s Mosinee and Rhinelander mills will play a large part in determining the region’s growth. An aging population creates a number of long-term challenges. However, a number of indicators point to positive growth in 2013.

I hope I can use a more positive adjective than “lethargic” to describe 2013’s economic growth.

The Wisconsin Department of Workforce Development’s Office of Economic Advisors (OEA) is charged with assisting all interested parties in better understanding their local economies. OEA has labor economists positioned throughout Wisconsin to help those involved in economic and workforce Development.