



WISCONSIN'S CONSTRUCTION OUTLOOK



**ASSOCIATED BUILDERS & CONTRACTORS
OF WISCONSIN, INC.**



Our members are an important piece of your community's economy!

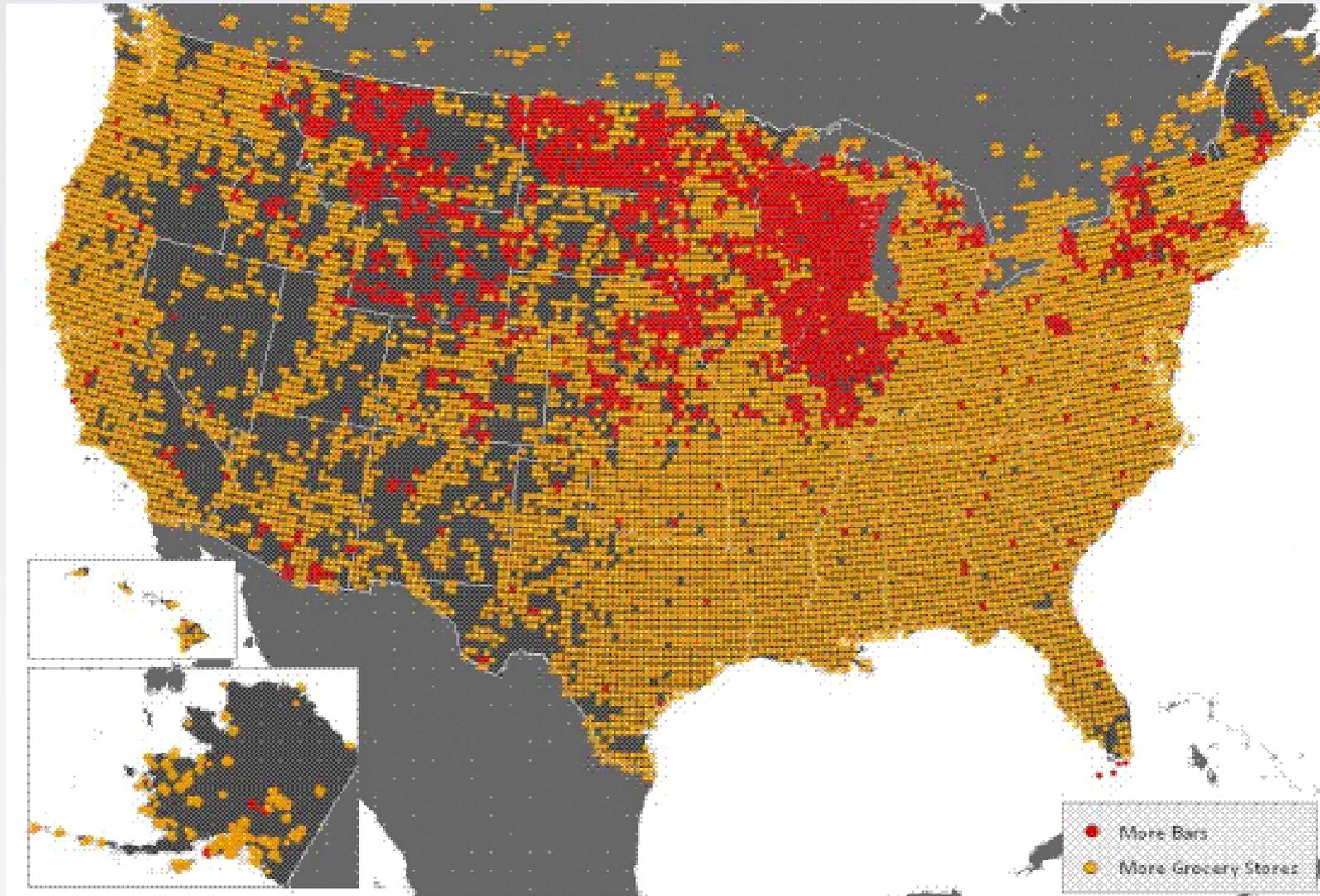
2013 Winter Convention

Dennis K. Winters
Chief, Office of Economic Advisors
Wisconsin Department of Workforce Development

February 8, 2013

FIRST OF ALL, YOU NEED TO UNDERSTAND WISCONSIN'S ECONOMY

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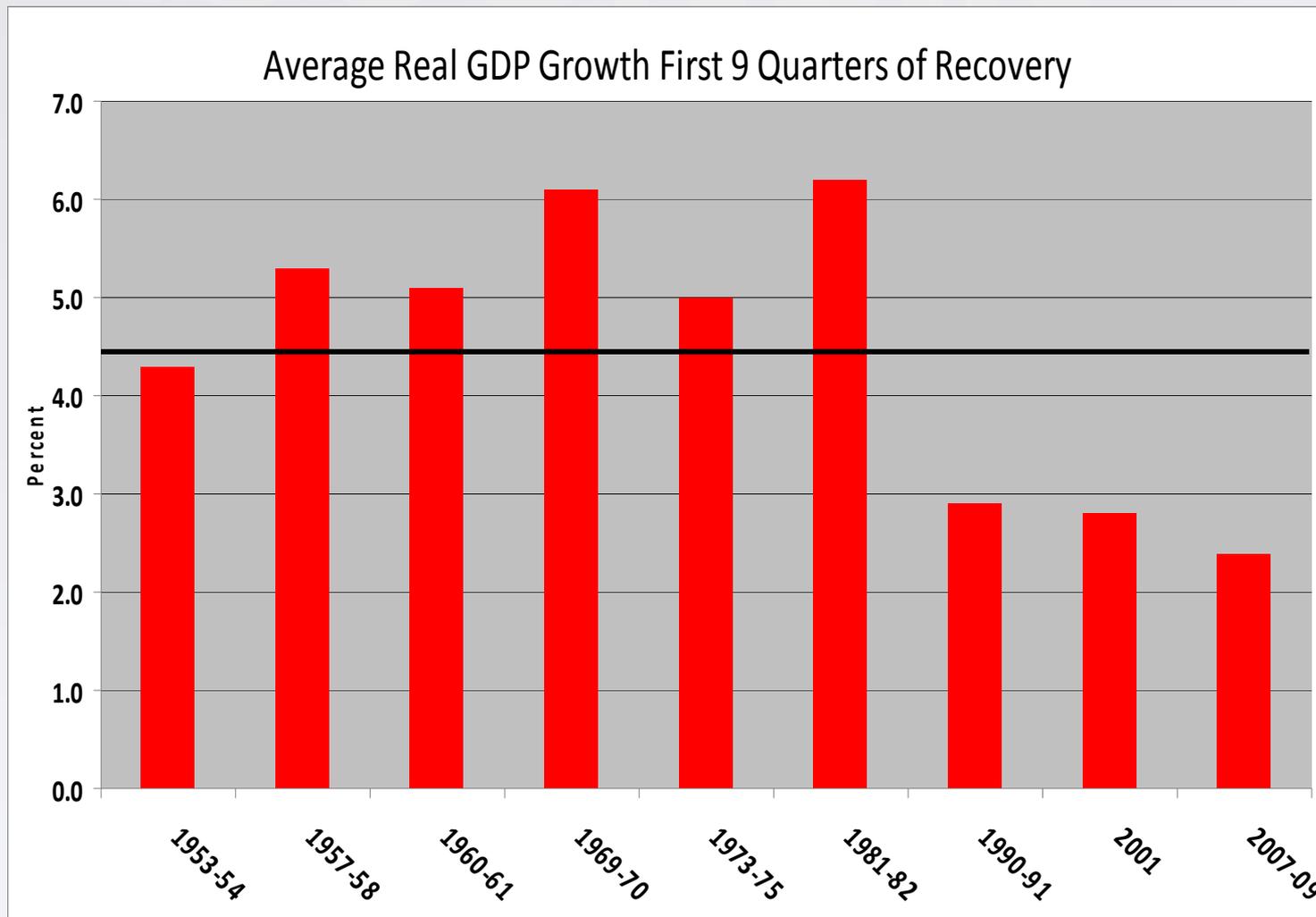


**THE
ECONOMY
HAS
CHANGED
AND
SO MUST YOU**

ECONOMIC RECOVERY

HOW IS THIS ONE NOT LIKE THE OTHER ONES

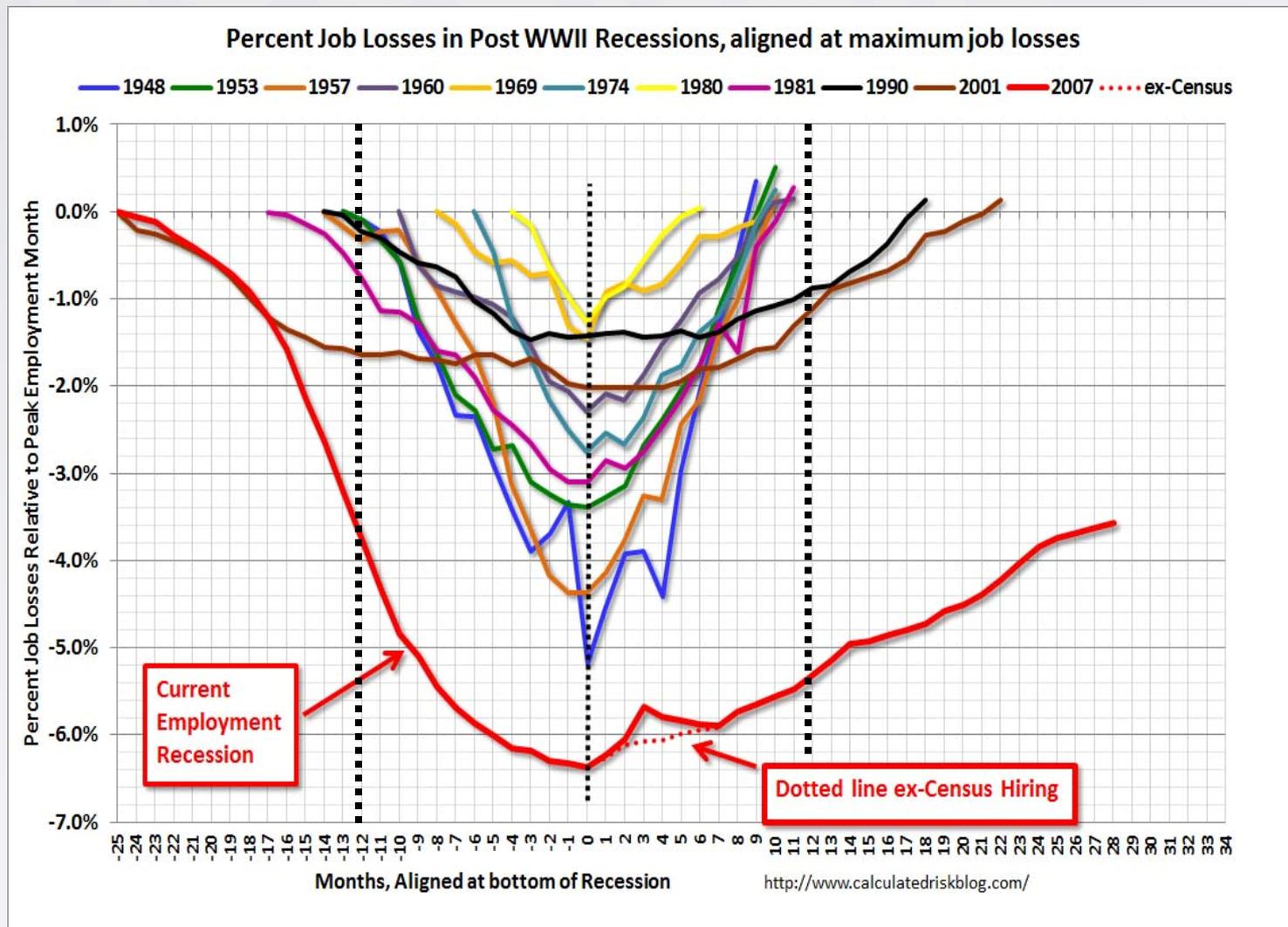
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JOBS RECOVERY

HOW IS THIS ONE NOT LIKE THE OTHER ONES

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ECONOMIC OUTLOOK



Wisconsin Chapter

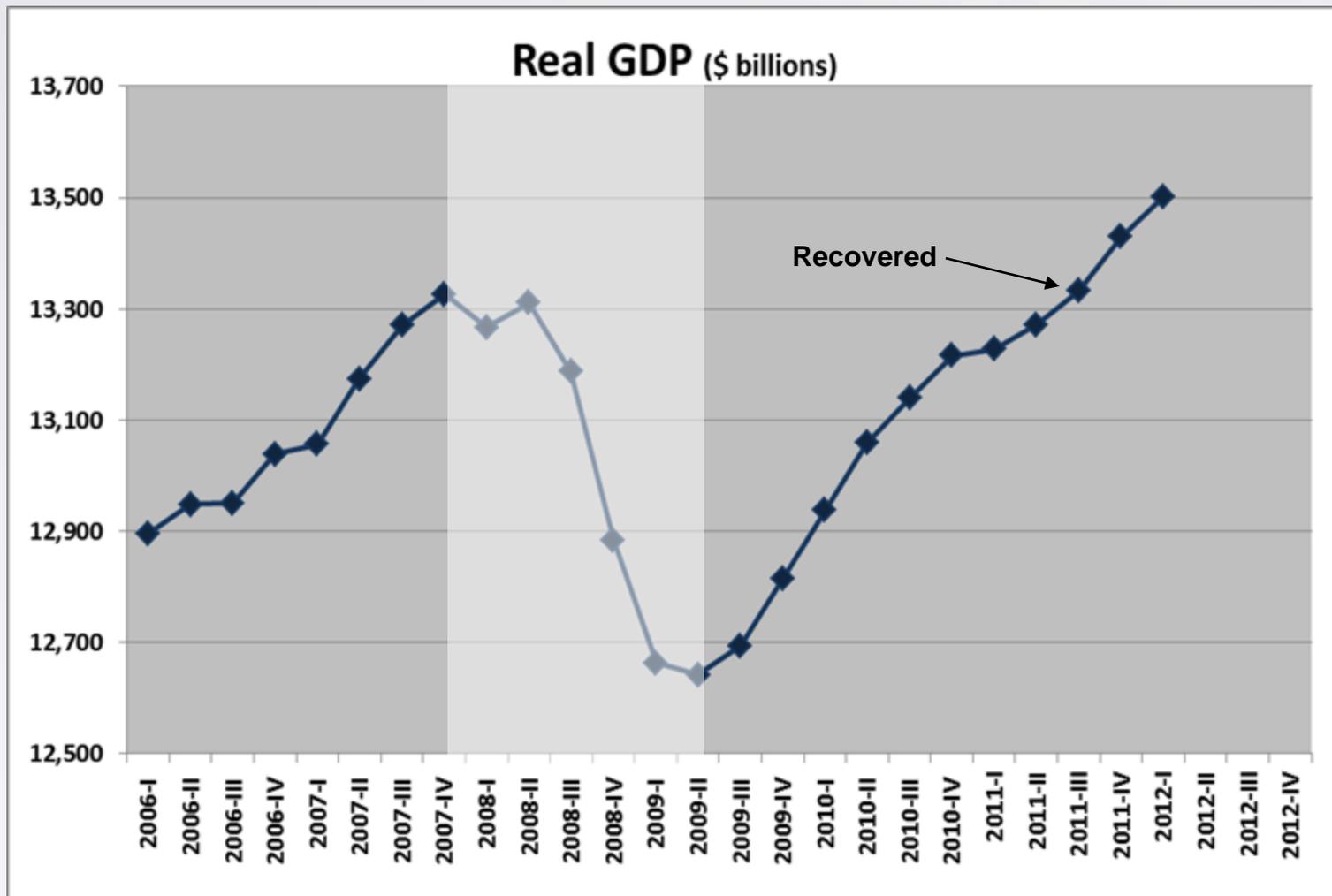


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BUSINESS CYCLE SEVERE

IT TOOK NINE QUARTERS TO RECOVER

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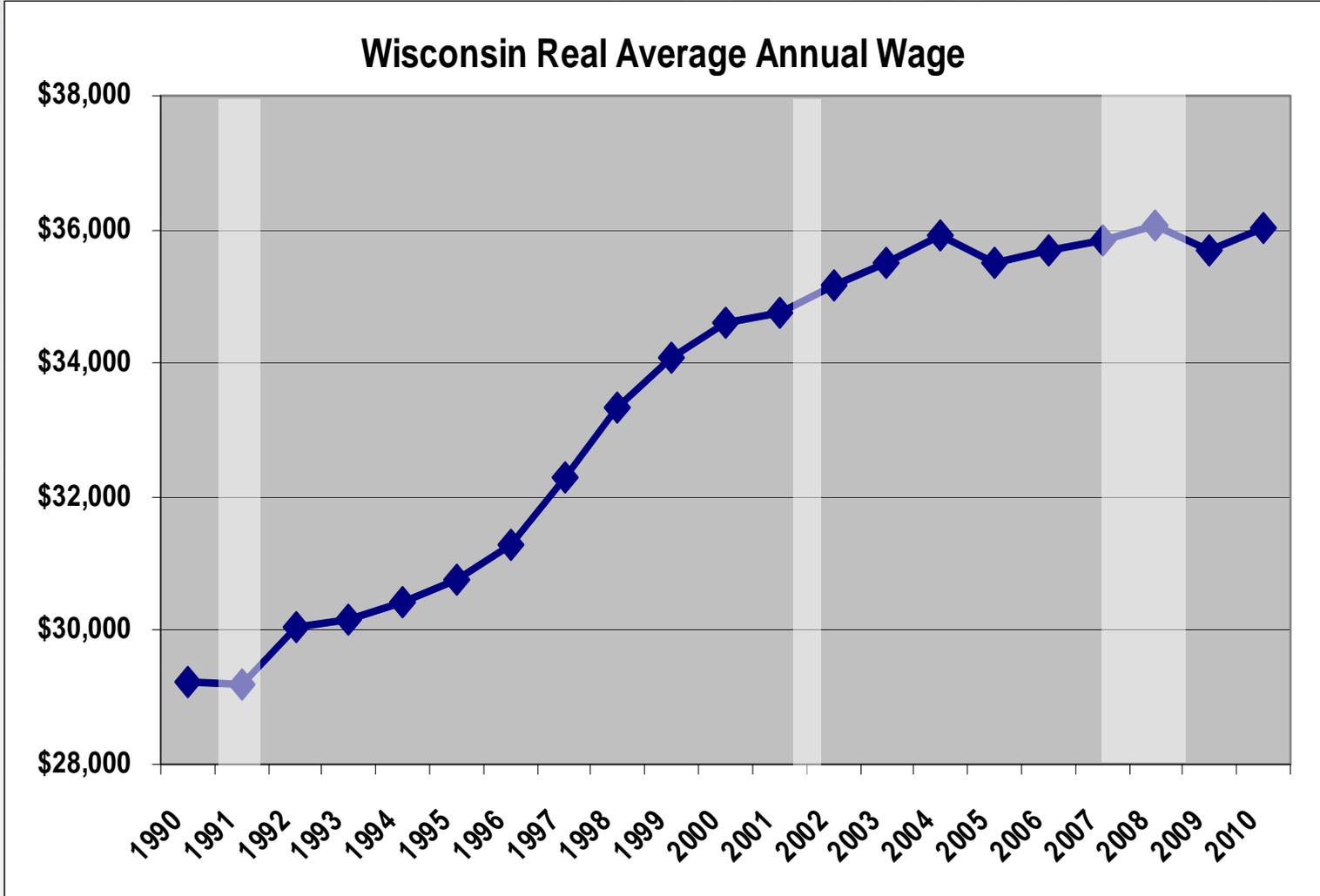


Source: BEA, OEA

REAL EARNINGS ARE FLAT

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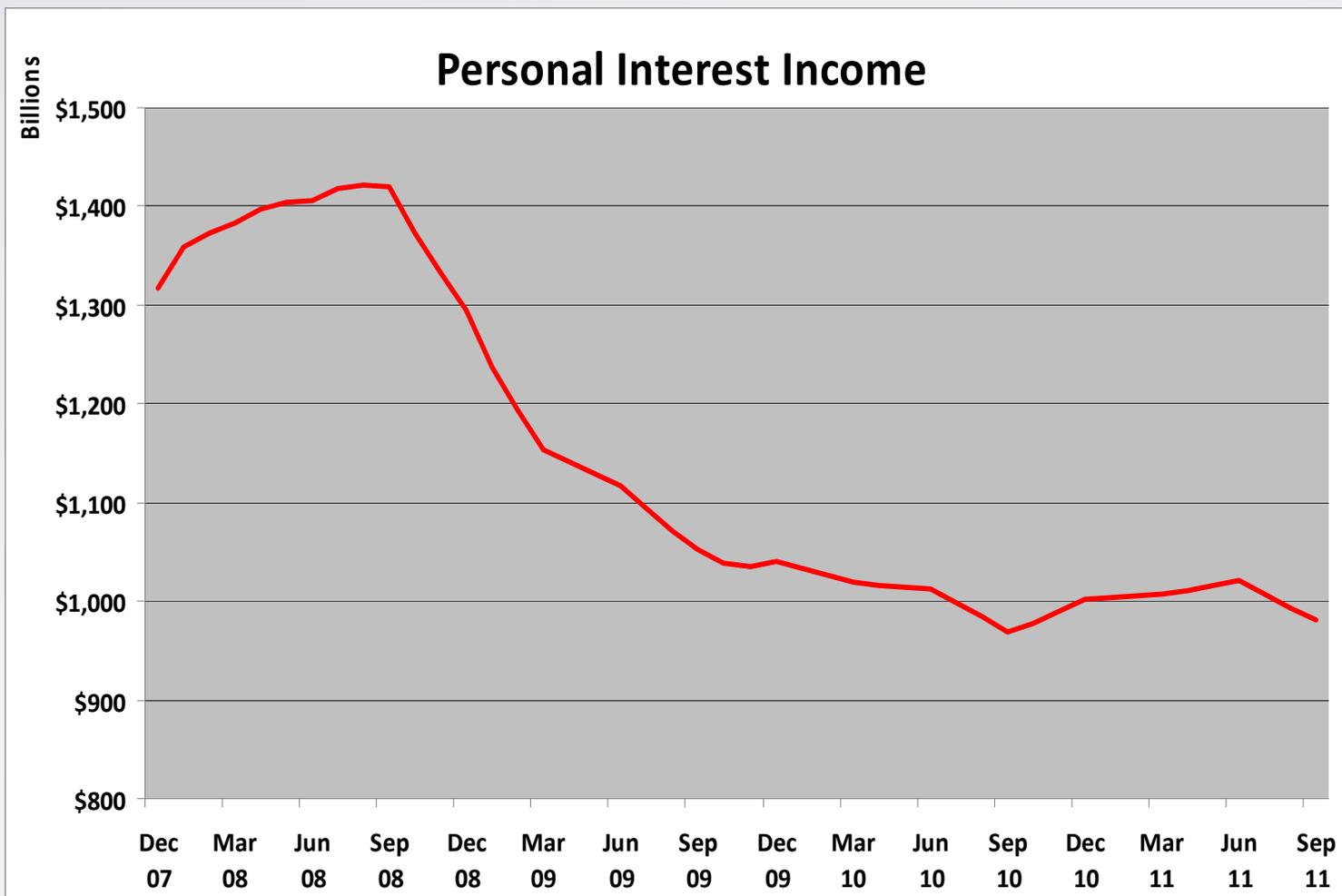
Wisconsin Real Average Annual Wage



INTEREST INCOME

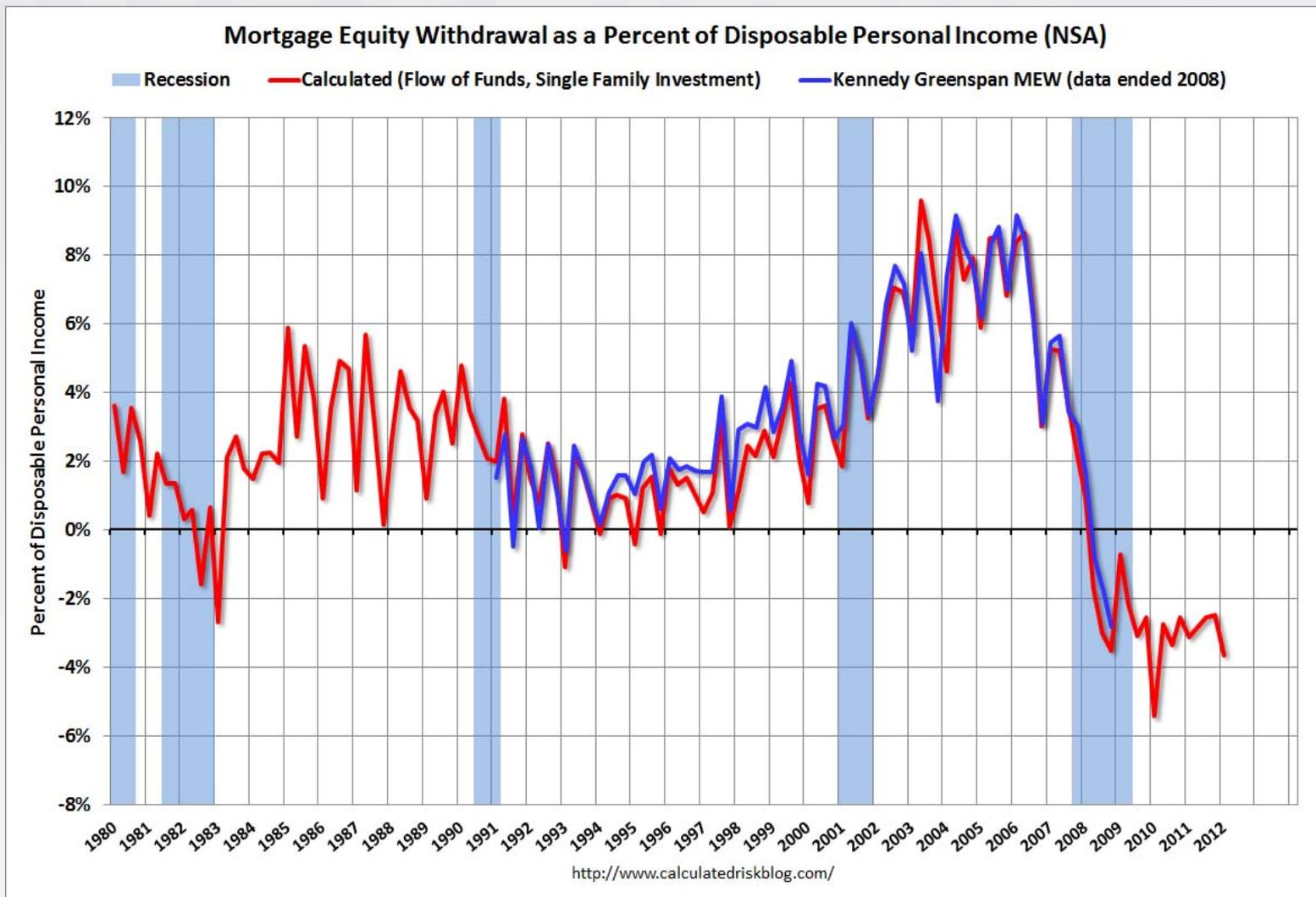
TAKE HIT WITH LOW INTEREST RATES

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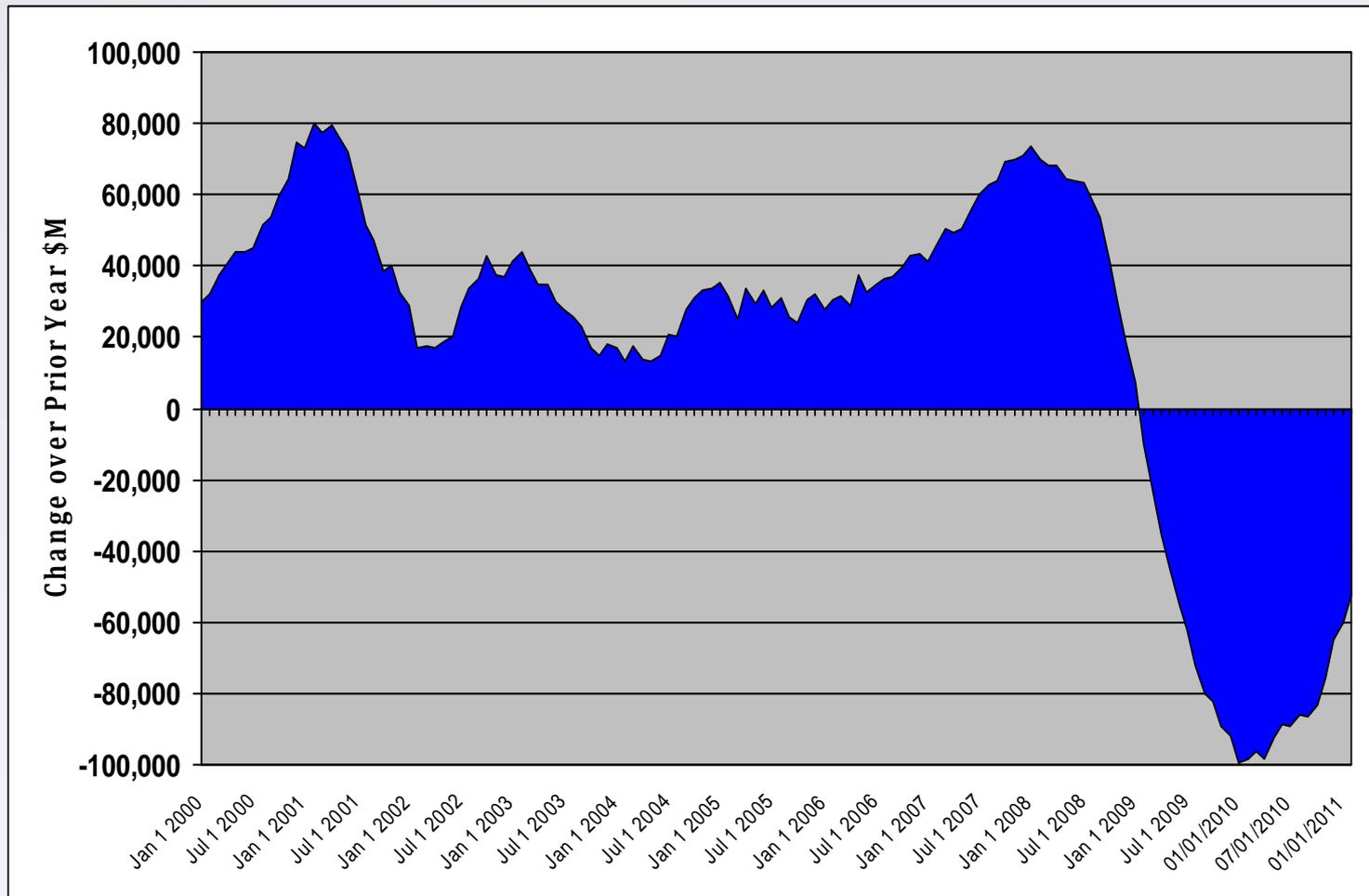
HOME EQUITY WAS USED FOR CONSUMPTION NOW PART OF DELEVERAGING

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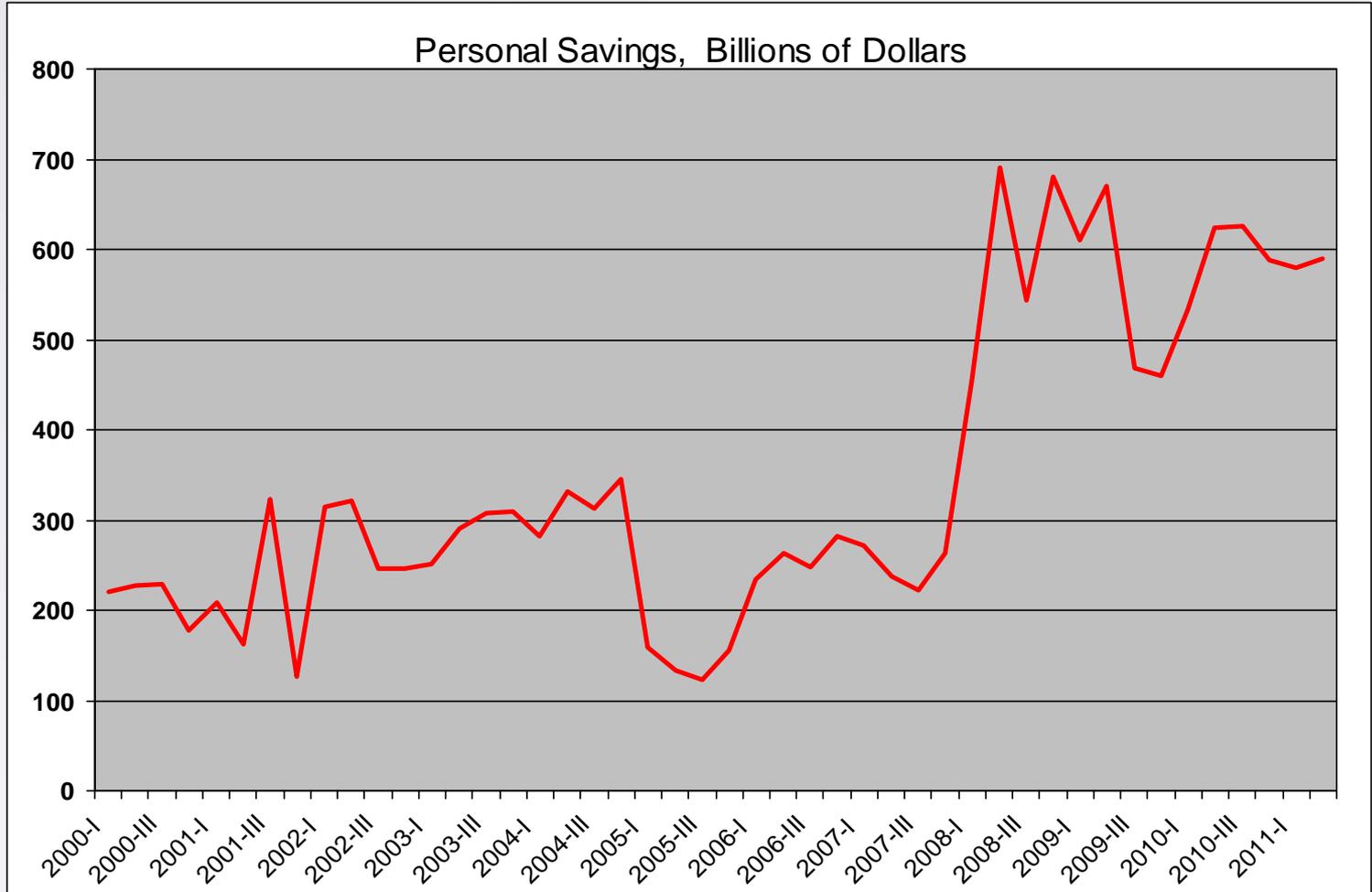
REVOLVING CREDIT WAS USED FOR CONSUMPTION NOW PART OF DELEVERAGING

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NO SAVINGS – WAS USED FOR CONSUMPTION NOW PART OF DELEVERAGING

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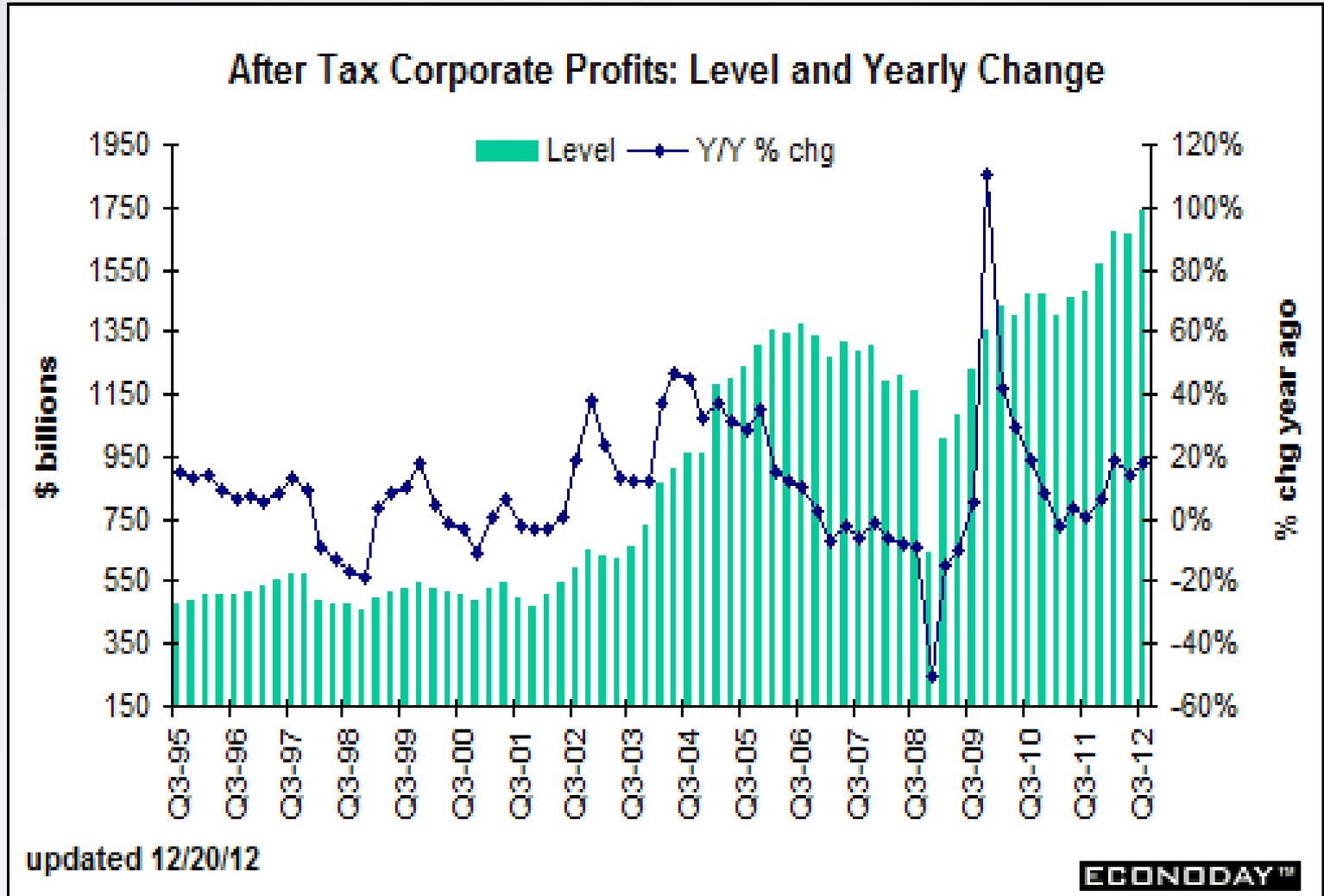


It is difficult to increase consumption when you:

- 1. have stagnant income,**
- 2. are losing wealth,**
- 3. paying down debt,**
- 4. increasing savings,**
- 5. and are paying more for food and gas.**

CORPORATE PROFITS AT NEW RECORDS MOSTLY DUE TO COST CUTTING

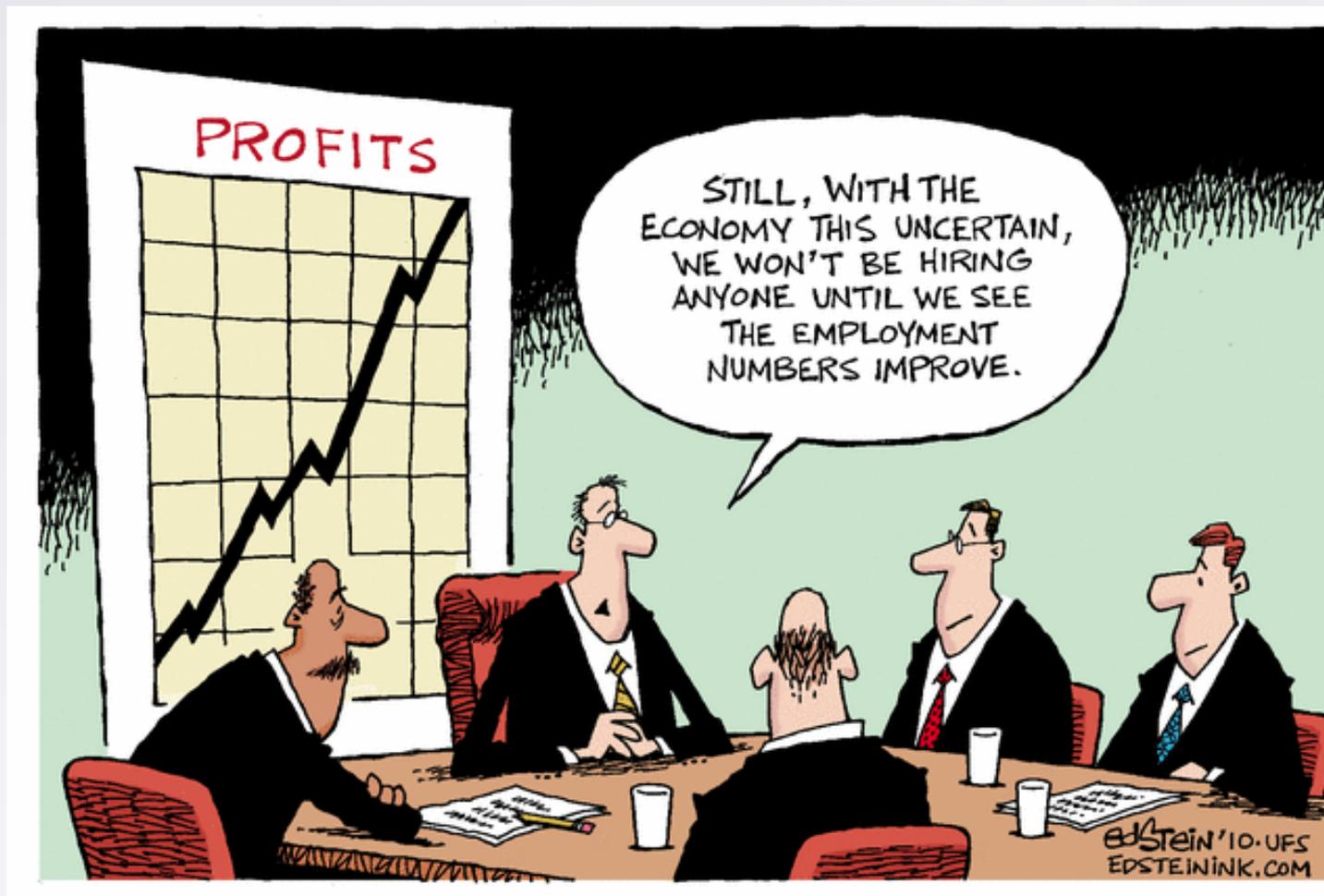
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MANAGING RISK

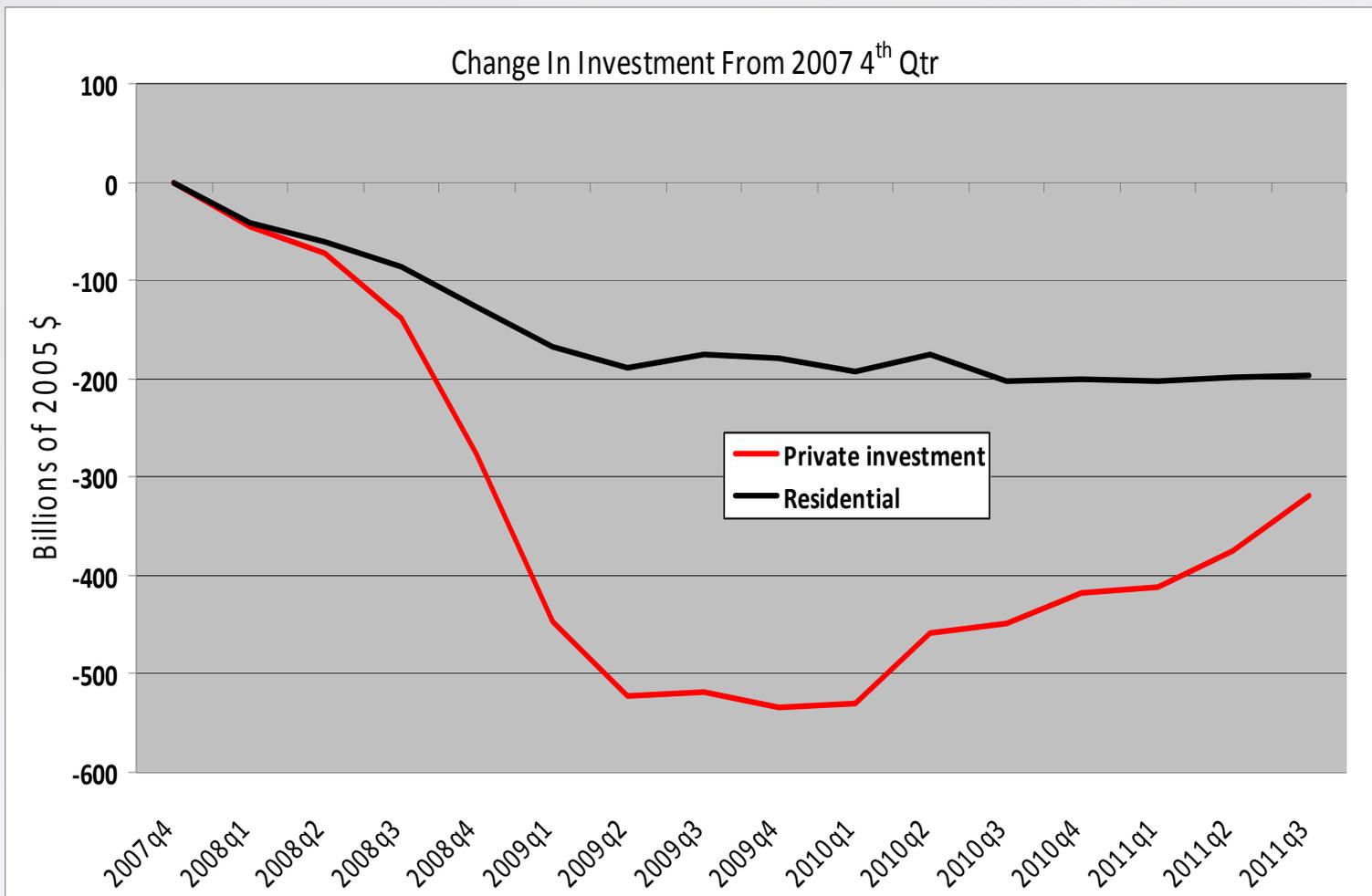
WHERE IS THE INCENTIVE TO EXPAND

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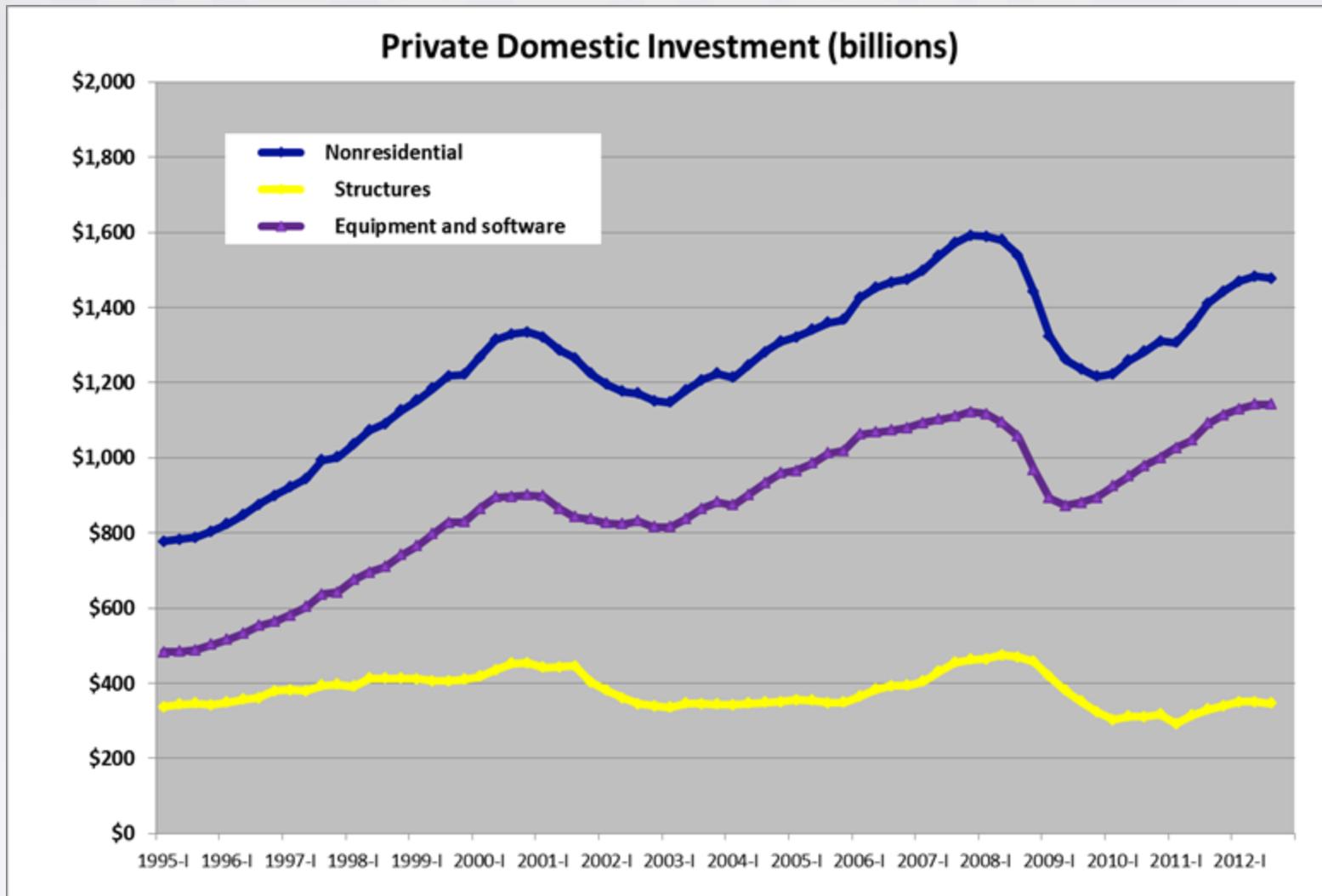
CORPORATE PROFITS BUILDING CASH HOARD

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INVESTMENT GROWTH IS IN PRODUCTIVITY, NOT EXPANSION

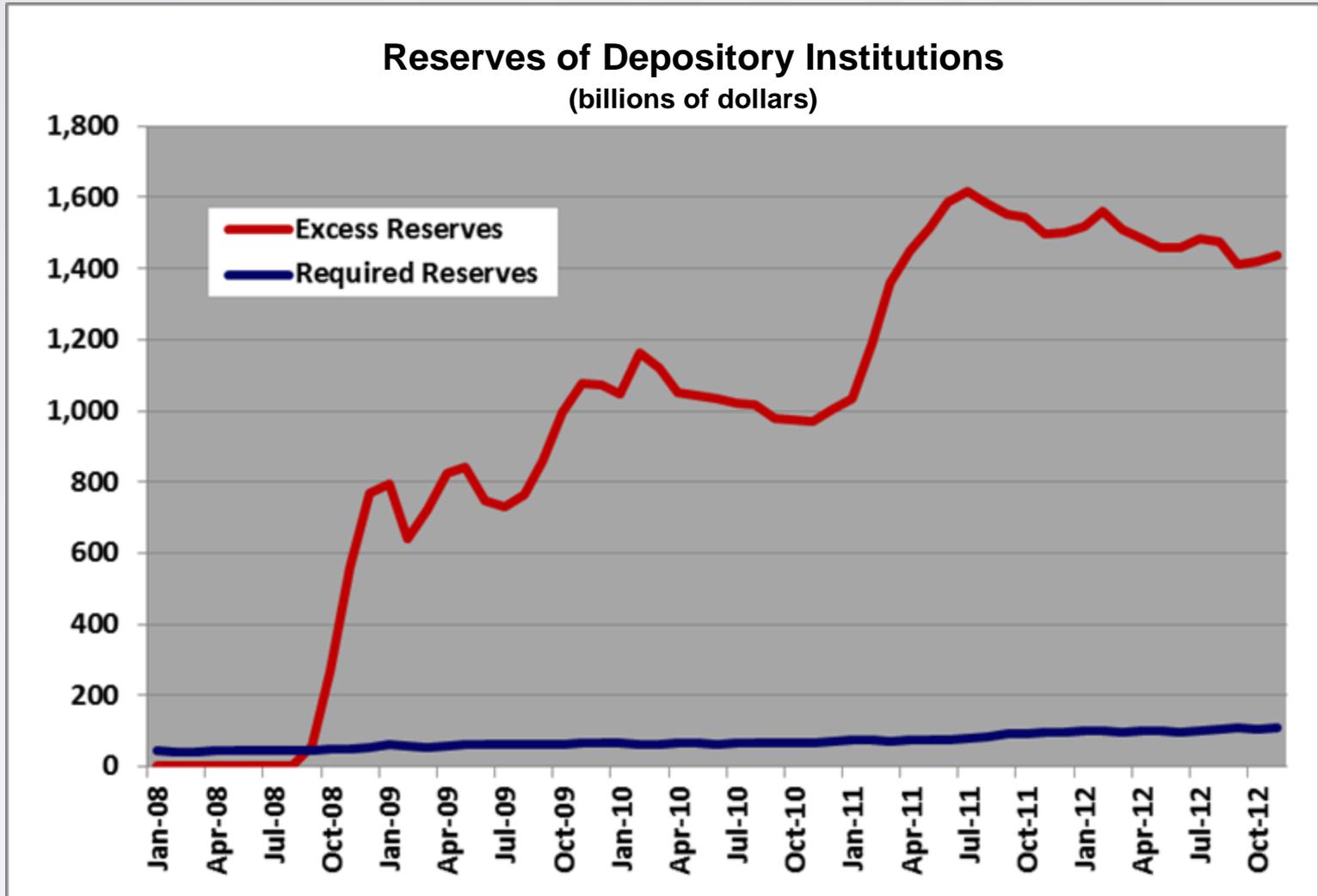
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EXTENDING CREDIT

BANKS ARE RETICENT TO LEND FUNDS

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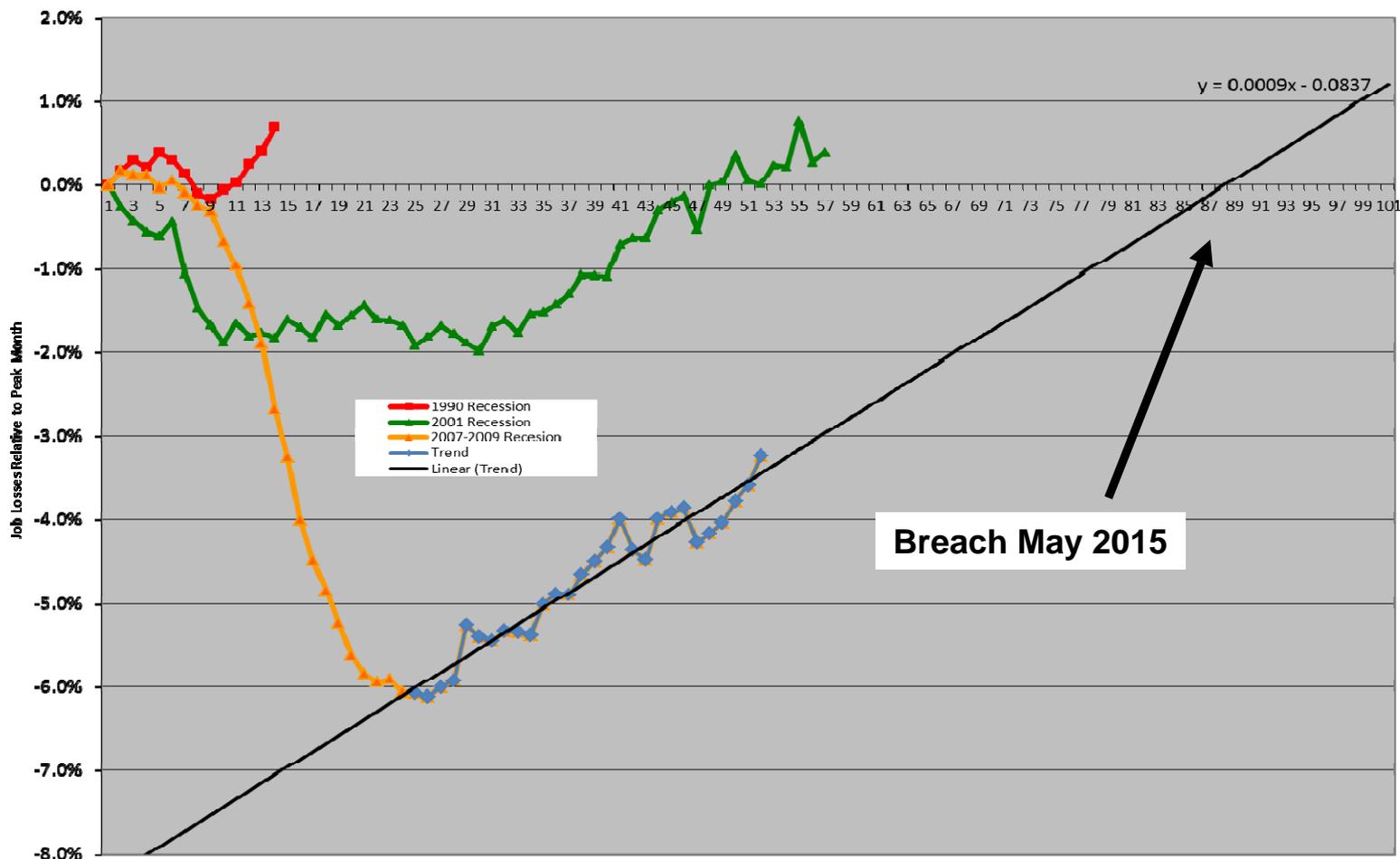
DAVE GRANLUND © www.davegranlund.com

JOBS RECOVERY

OUR BEST ESTIMATES PUT THE BREACH AT MAY 2015

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QCEW - Job Losses In Recent Recessions - Wisconsin - # of Months Since Recession Declaration

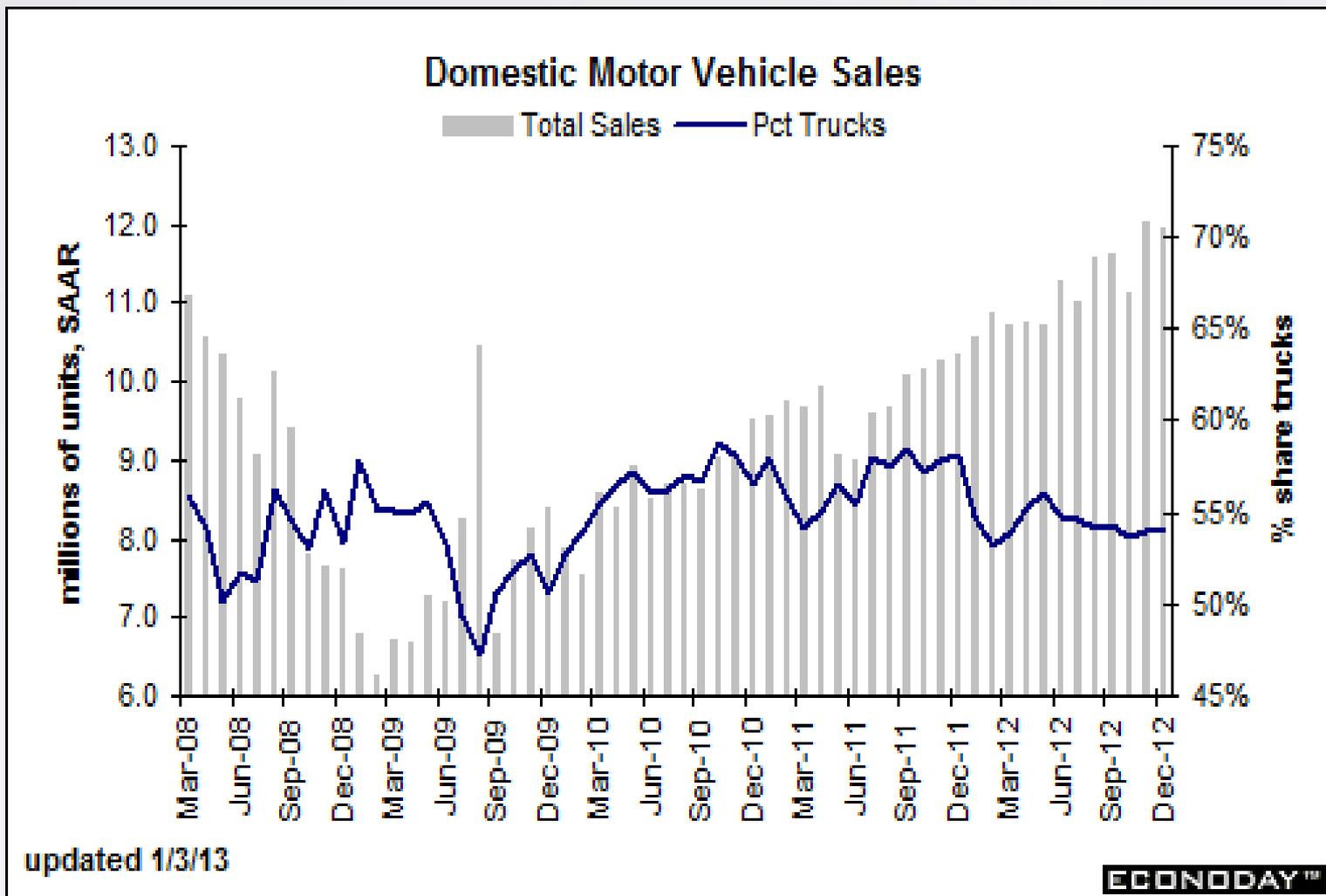


Breach May 2015

Source: U.S. BLS, QCEW, Seasonally Adjusted with SAS X12

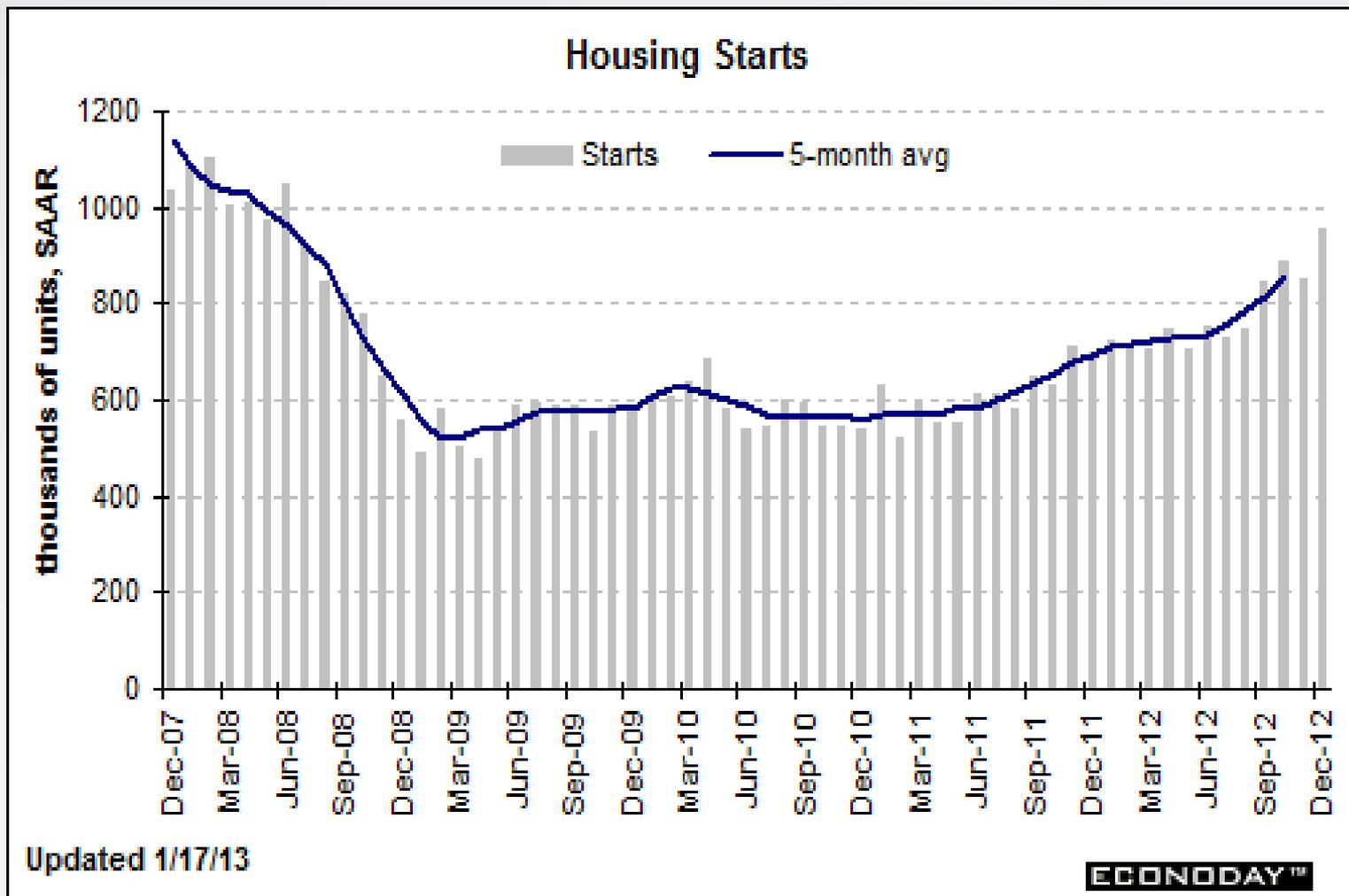
VEHICLE SALES CONTINUE STRONG

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HOUSING STARTS TRENDING HIGHER

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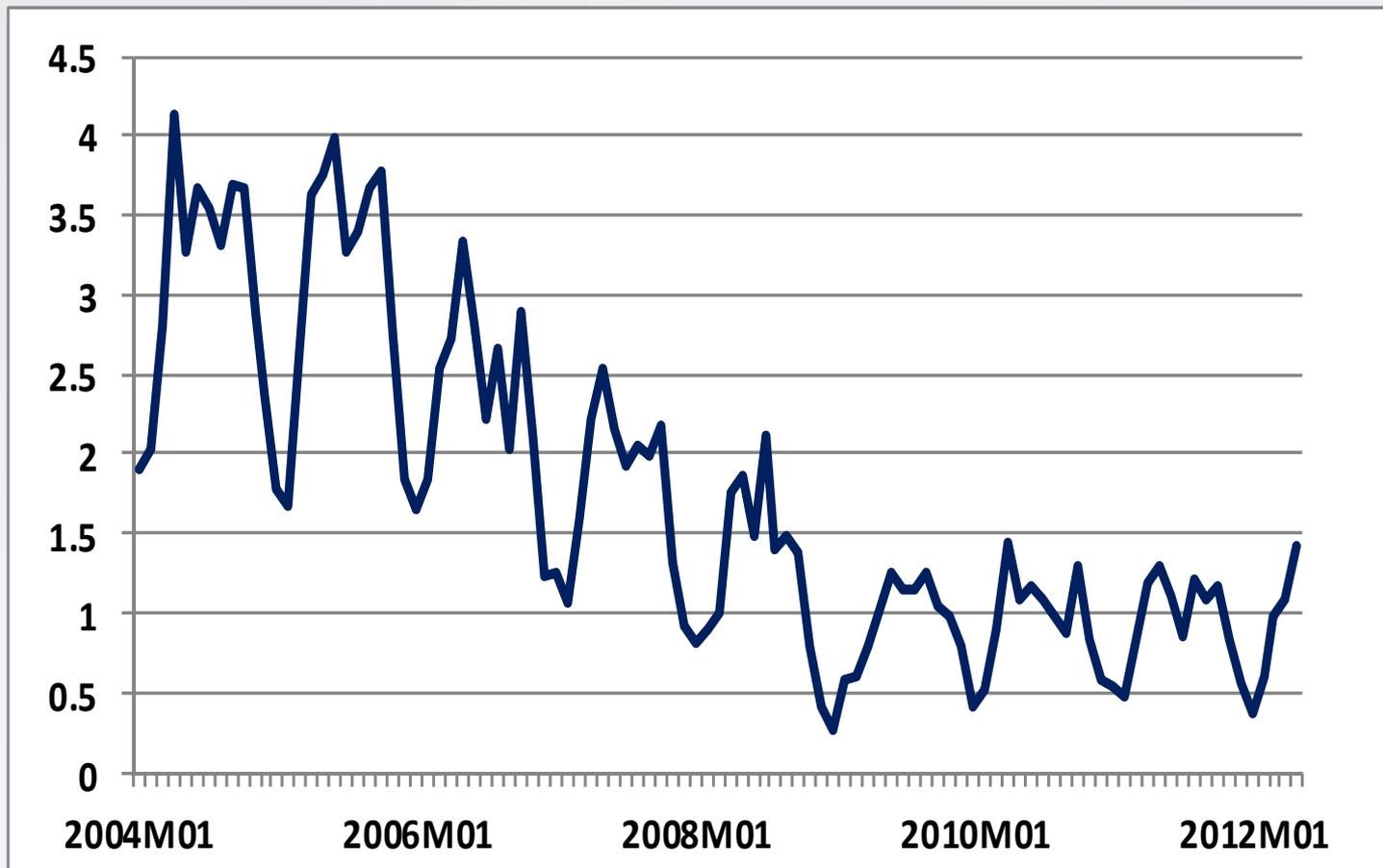


WISCONSIN HOUSING STARTS

HOPEFULLY NOT A HEAD FAKE

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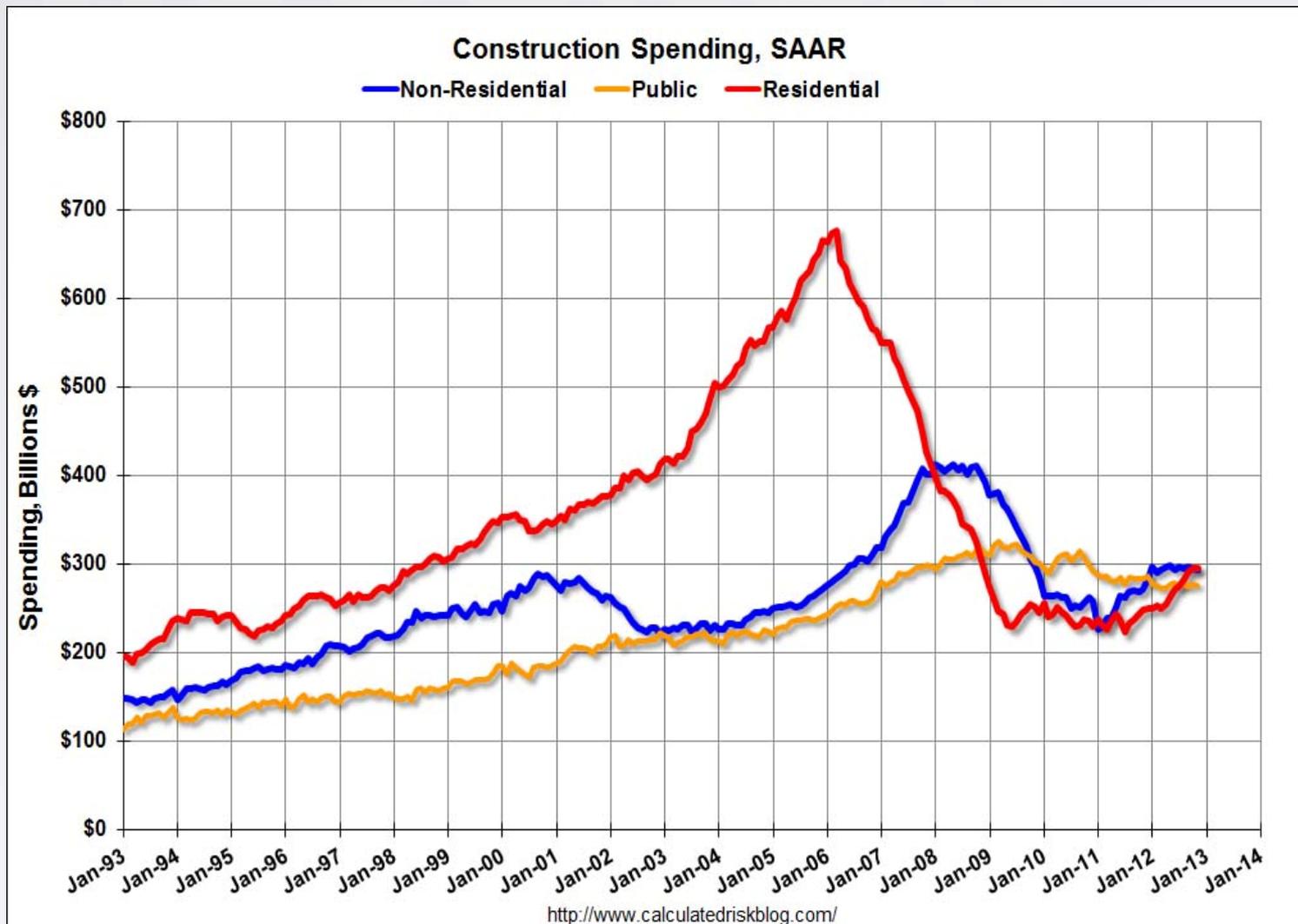
Wisconsin Housing Starts (thousands)



Source: U.S. Census

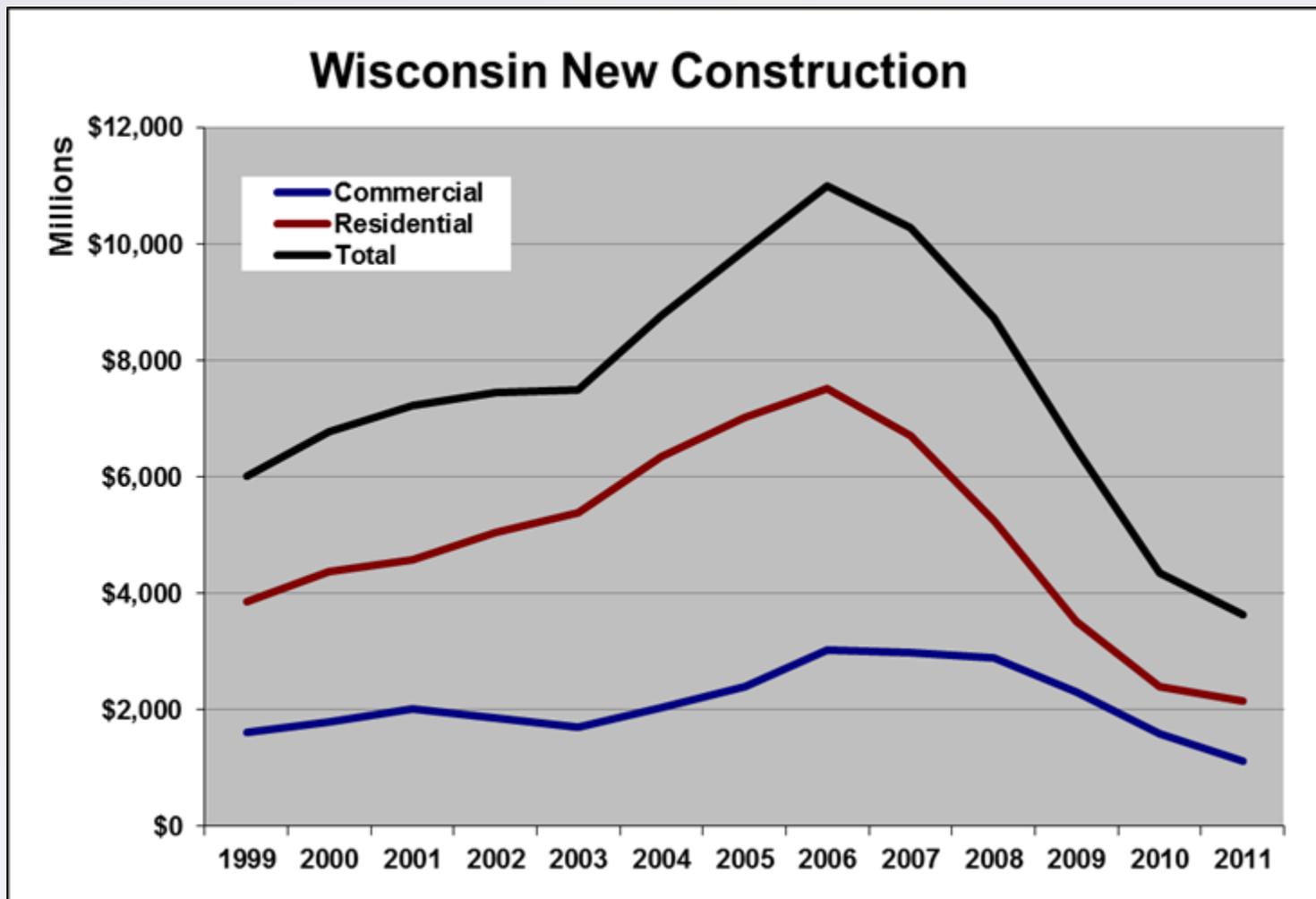
ARE THE GOOD DAYS GONE FOREVER?

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ARE THE GOOD DAYS GONE? PROBABLY FOR RESIDENTIAL

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Source: U.S. Census

OUCH !

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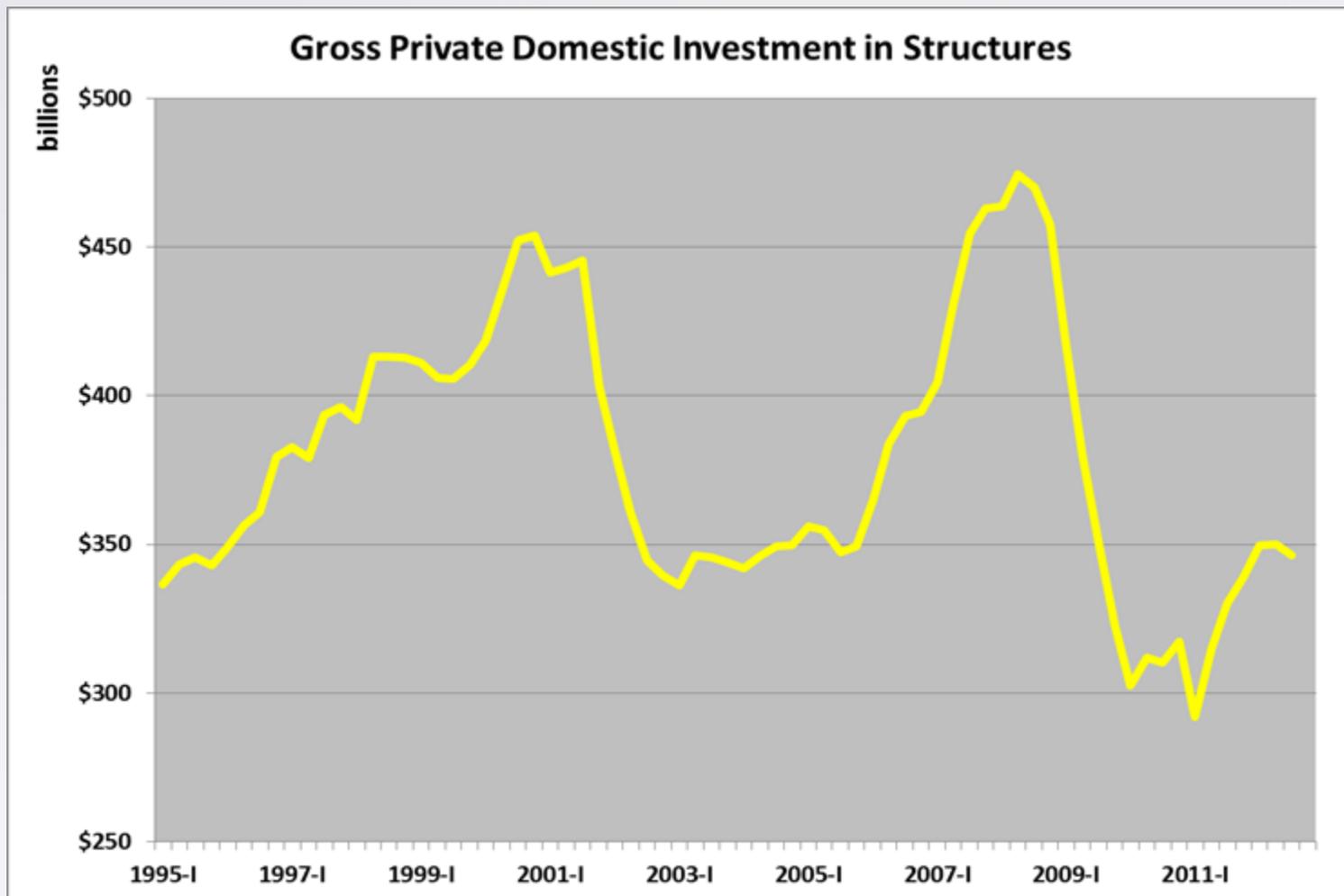
**Total New Construction Spending
(\$ billions)**

	2006	2011	\$ Change	% Change
Wisconsin	\$12.545	\$3.846	\$8.698	-69.3
M7 Region	\$4.572	\$1.085	\$3.488	-76.3



Source: Wisconsin Department of Revenue, Real Estate Value Data

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OUCH ! AGAIN

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Wisconsin Employment Through Recession

	Peak	Trough	% Change
Total Jobs	2,889,300	2,713,700	- 6.1
Construction	130,100	83,200	- 36.0
Milw MSA	33,900	17,200	- 49.2

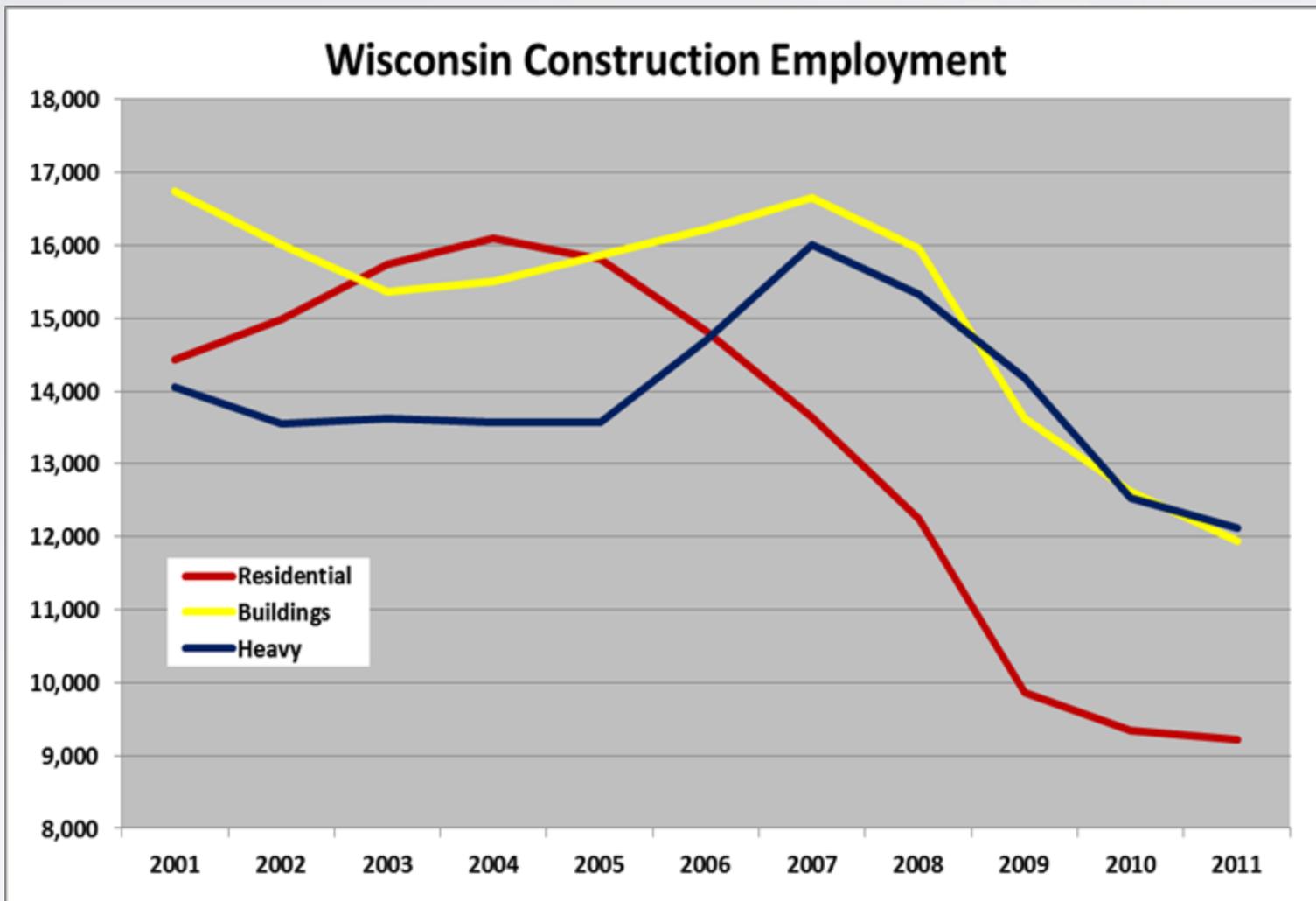
* Peak Wisconsin construction employment in July 2004, trough in March 2012



Source: U.S. Bureau of Labor Statistics, QCEW

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Wisconsin Construction Employment



OUCH ! YET AGAIN

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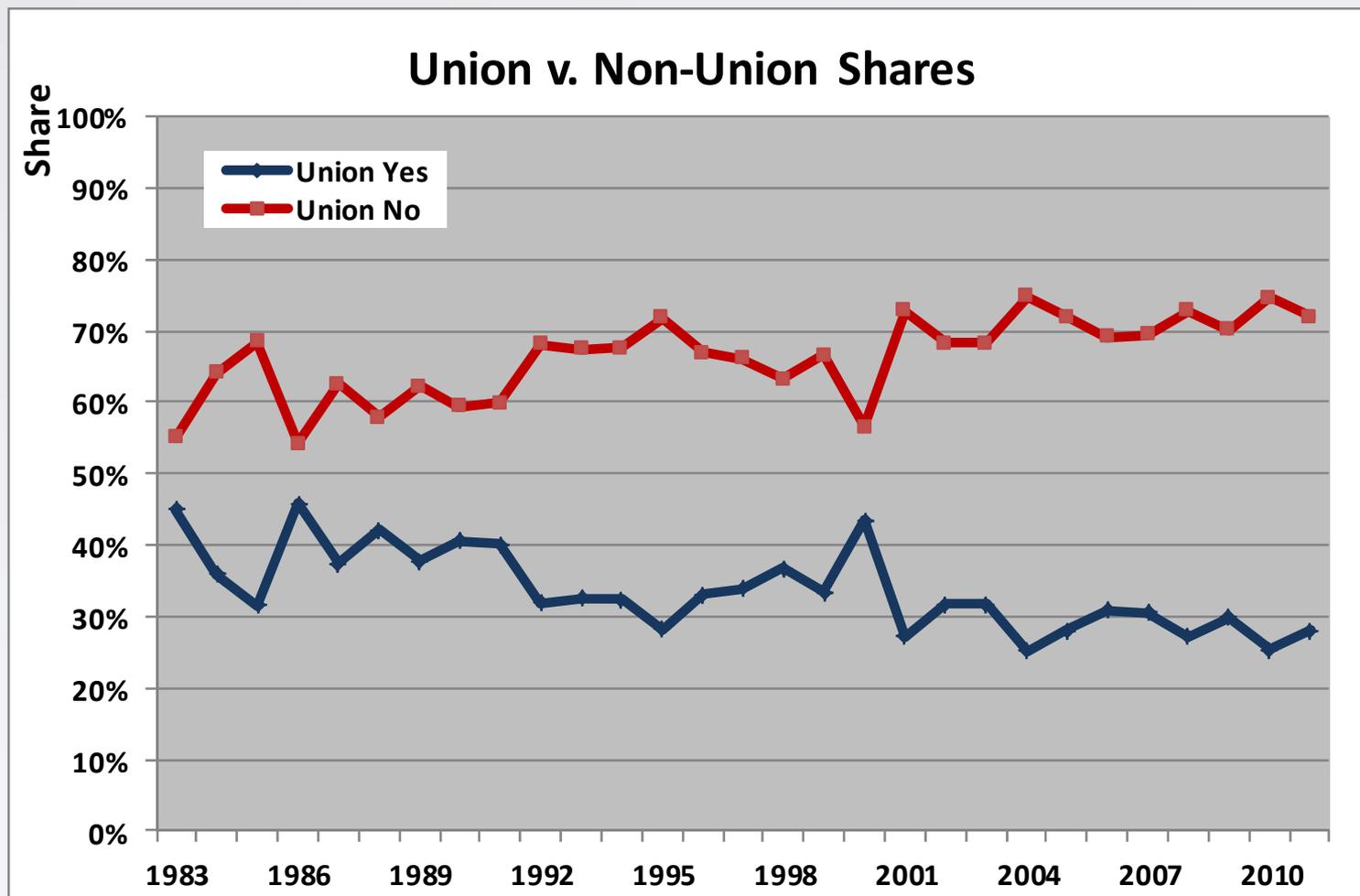
Wisconsin Construction Establishments Through Recession

	Peak	Trough	% Change
Residential	4,088	3,125	- 23.4
Non-residential	811	655	- 19.2
Heavy Constructn	967	800	- 13.3
Trades	12,119	9,705	- 18.5

* Peak Wisconsin construction establishment in 2003, trough yet uncertain

CHANGE IN REPRESENTATION UNION v. MERIT SHOPS

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Source: U.S. Census; CPS-MORG

**So, what will be the
biggest socio-economic
policy challenge
in the next 20 years?**

ELDERLY NUMBERS WILL SWELL WIDEN THE SIDEWALKS WILL YA !?

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OR PERHAPS THE MORE INTERGENERATIONAL VERSION

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QUANTITY

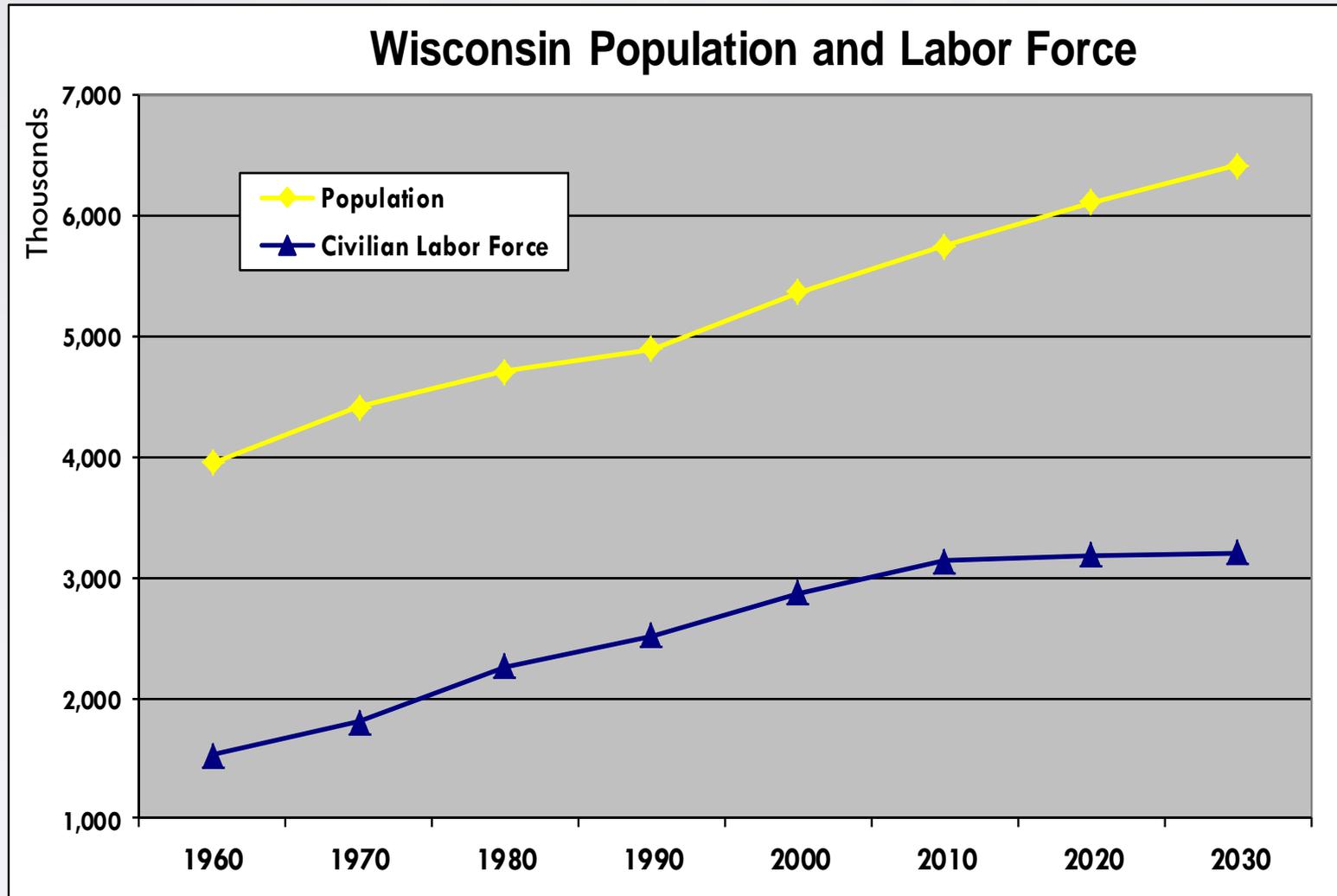


Wisconsin Chapter



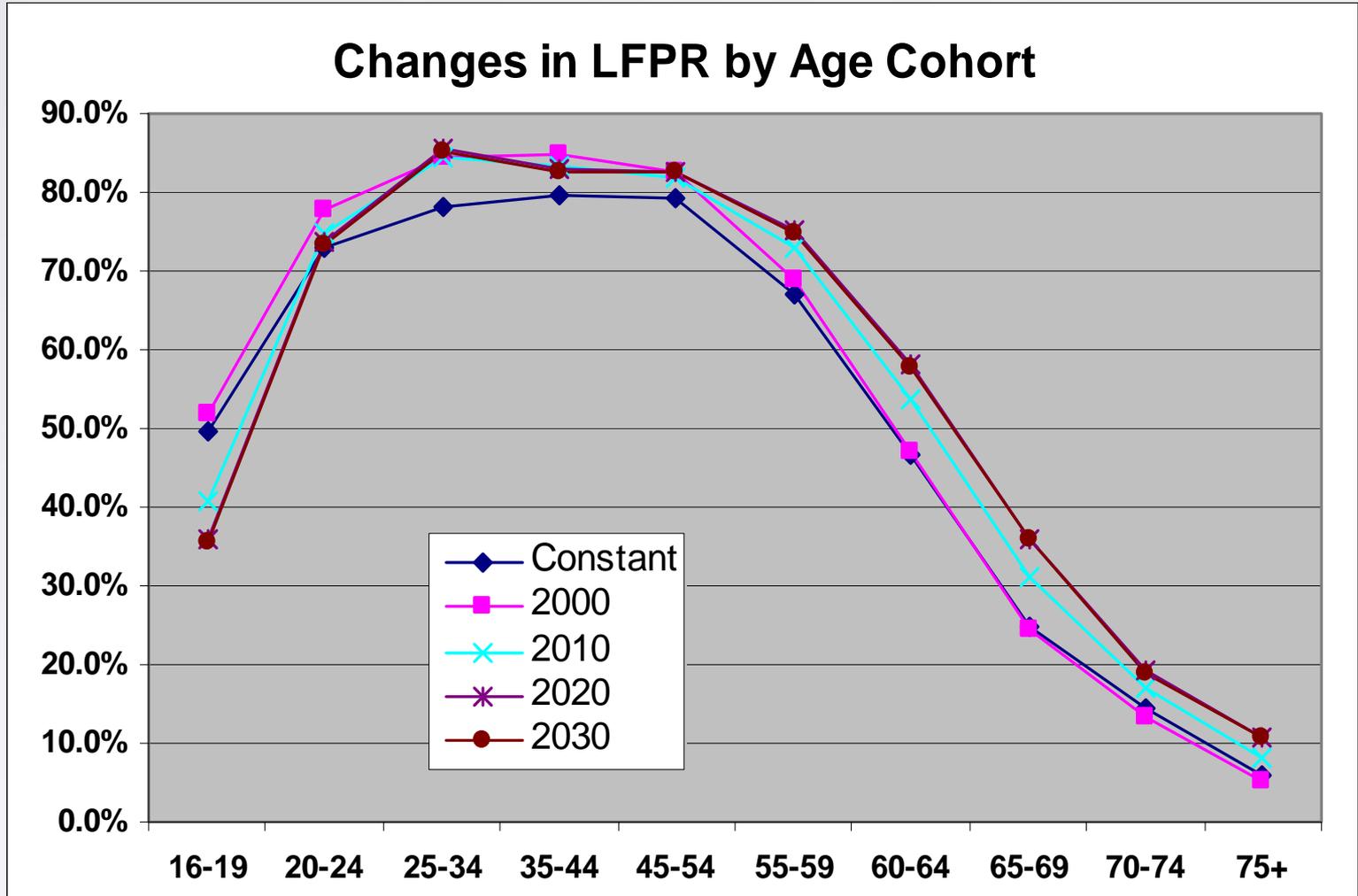
WISCONSIN'S WORKFORCE GROWTH BECOMES FLAT

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BLS RAISED LFPR FOR THE FUTURE PARTICULARLY FOR OLDER COHORTS

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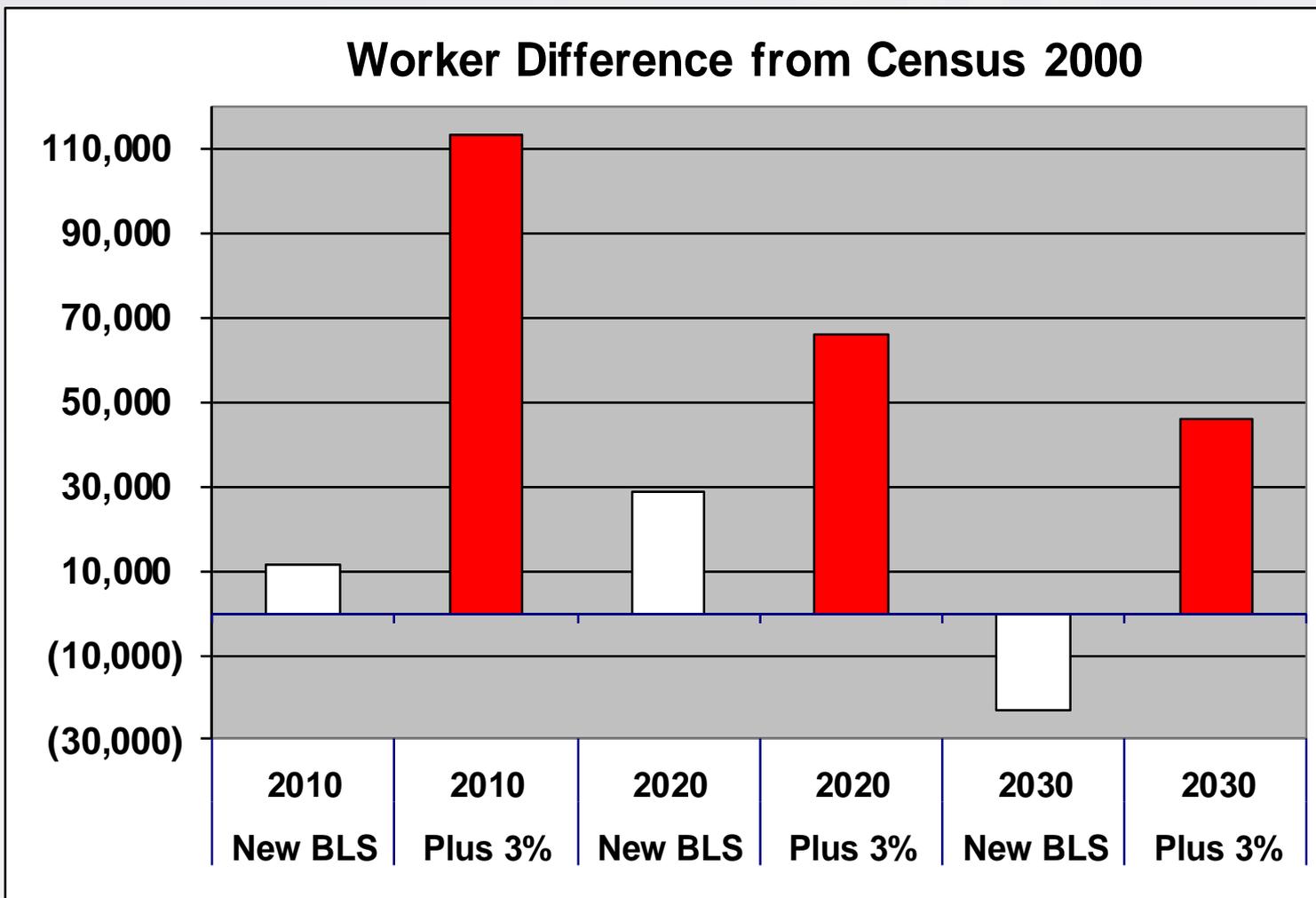


Source: Bureau of Labor Statistics, Bureau of the Census, OEA

WISCONSIN'S WORKFORCE

HIGHER LFPRs OFFER LIMITED GAINS

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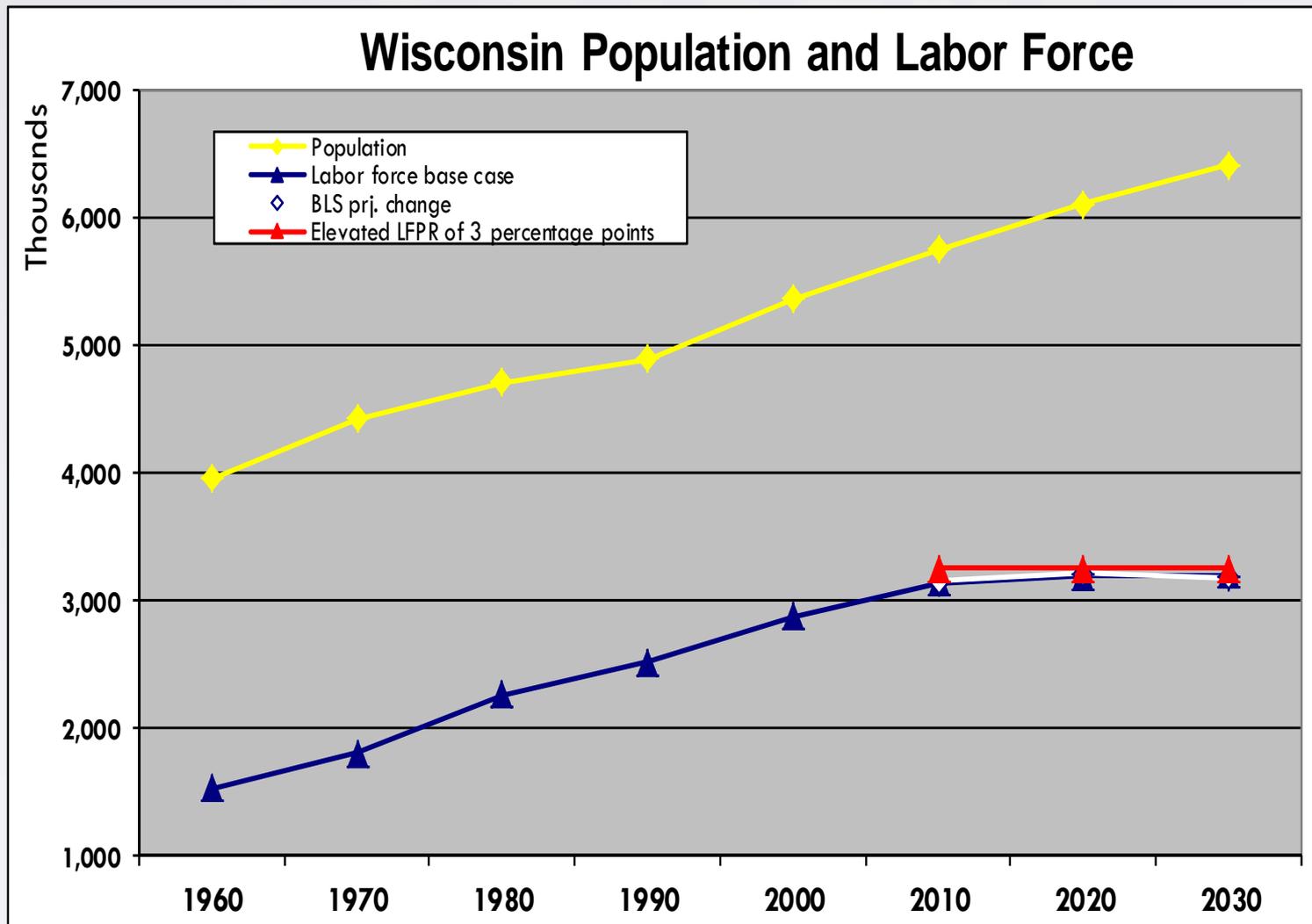


Source: Bureau of Labor Statistics, OEA

LITTLE CHANGES EVEN WITH HIGHER LFPR

RETIREMENTS SWAMP PARTICIPATION

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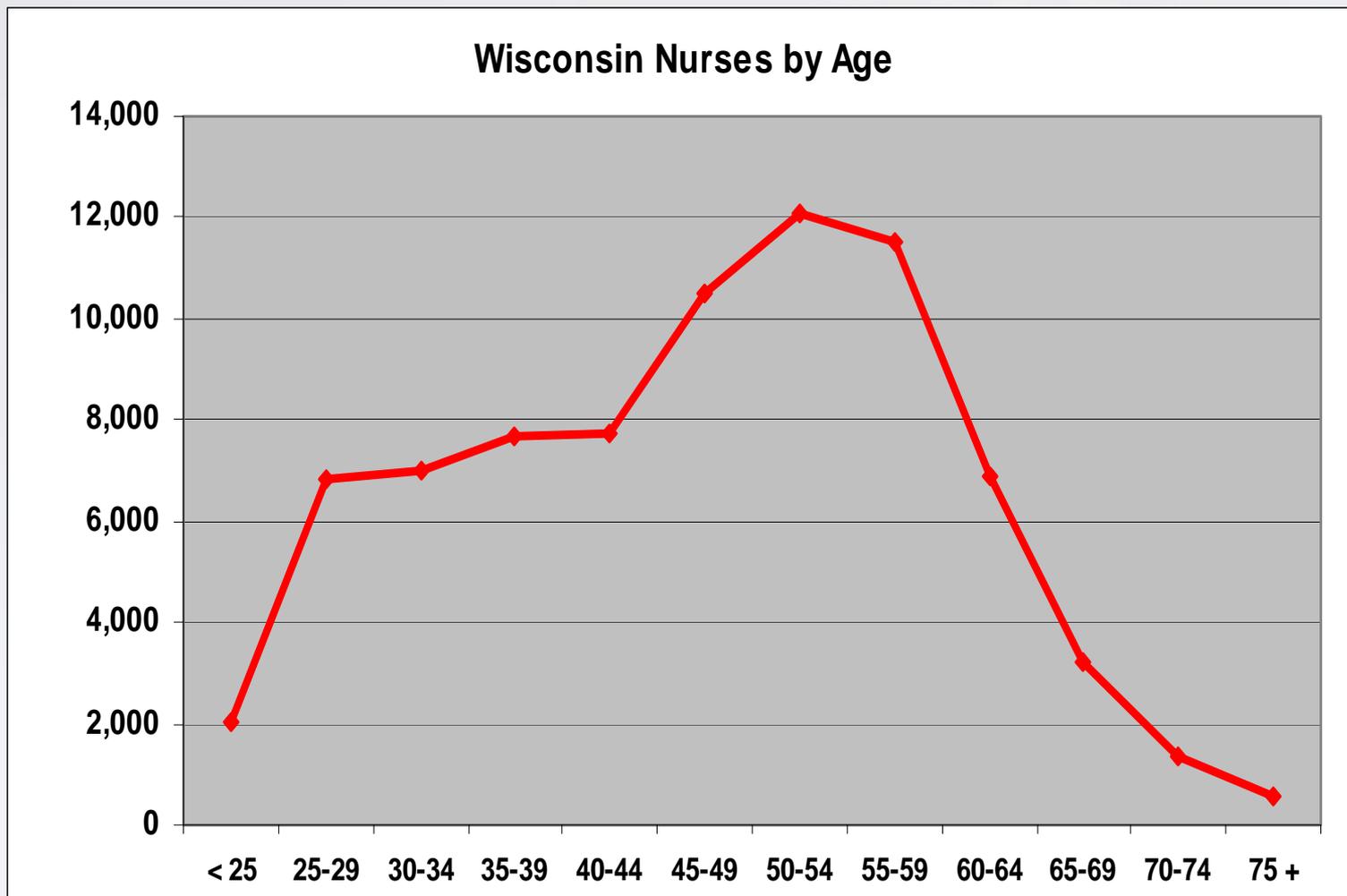


NURSING WORKFORCE IN WISCONSIN

DEMOGRAPHICS AT WORK

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Wisconsin Nurses by Age

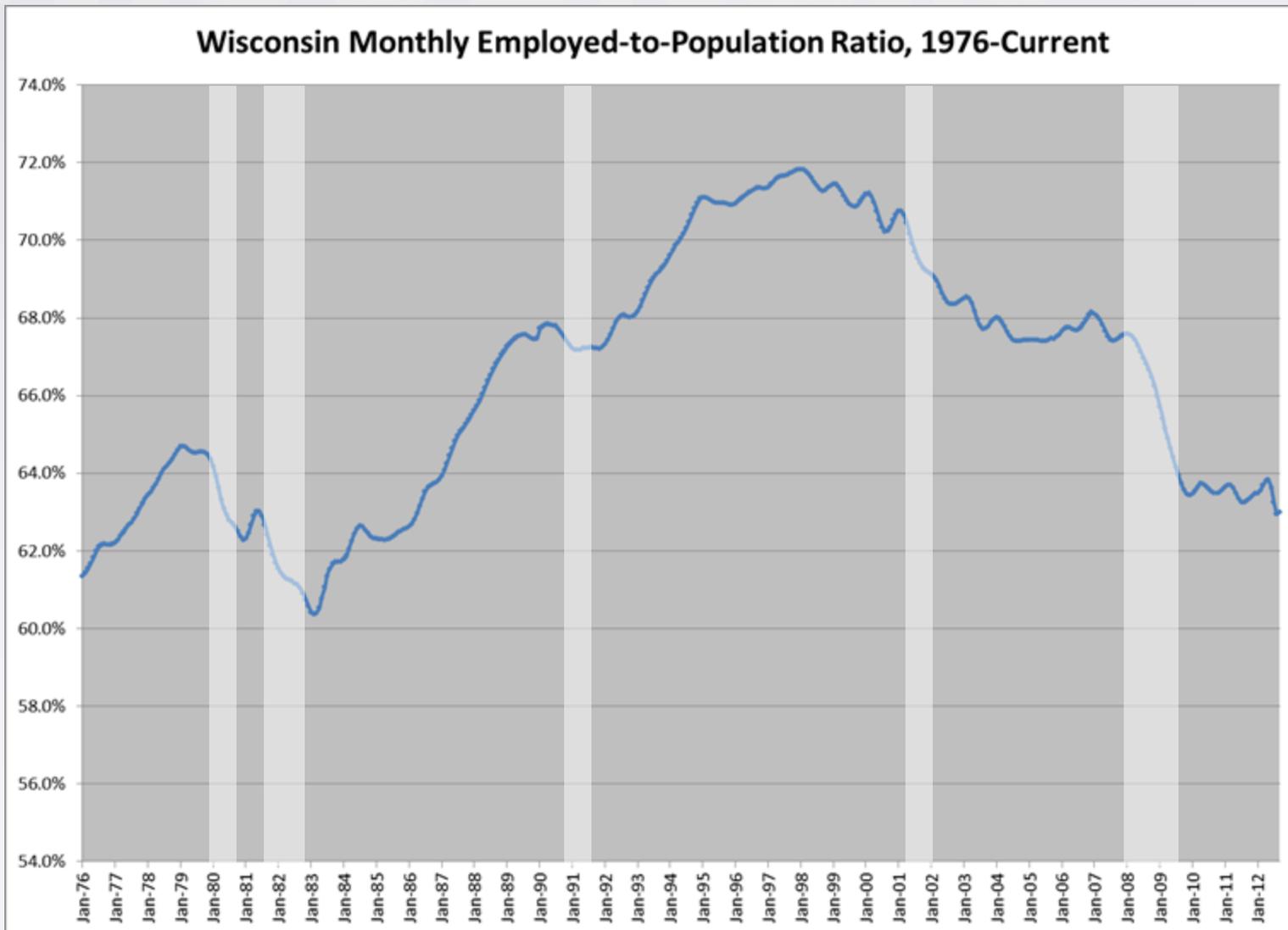


Source: Office of Economic Advisors

POPULATION PARTICIPATION FUNCTION OF RECESSION SEVERITY

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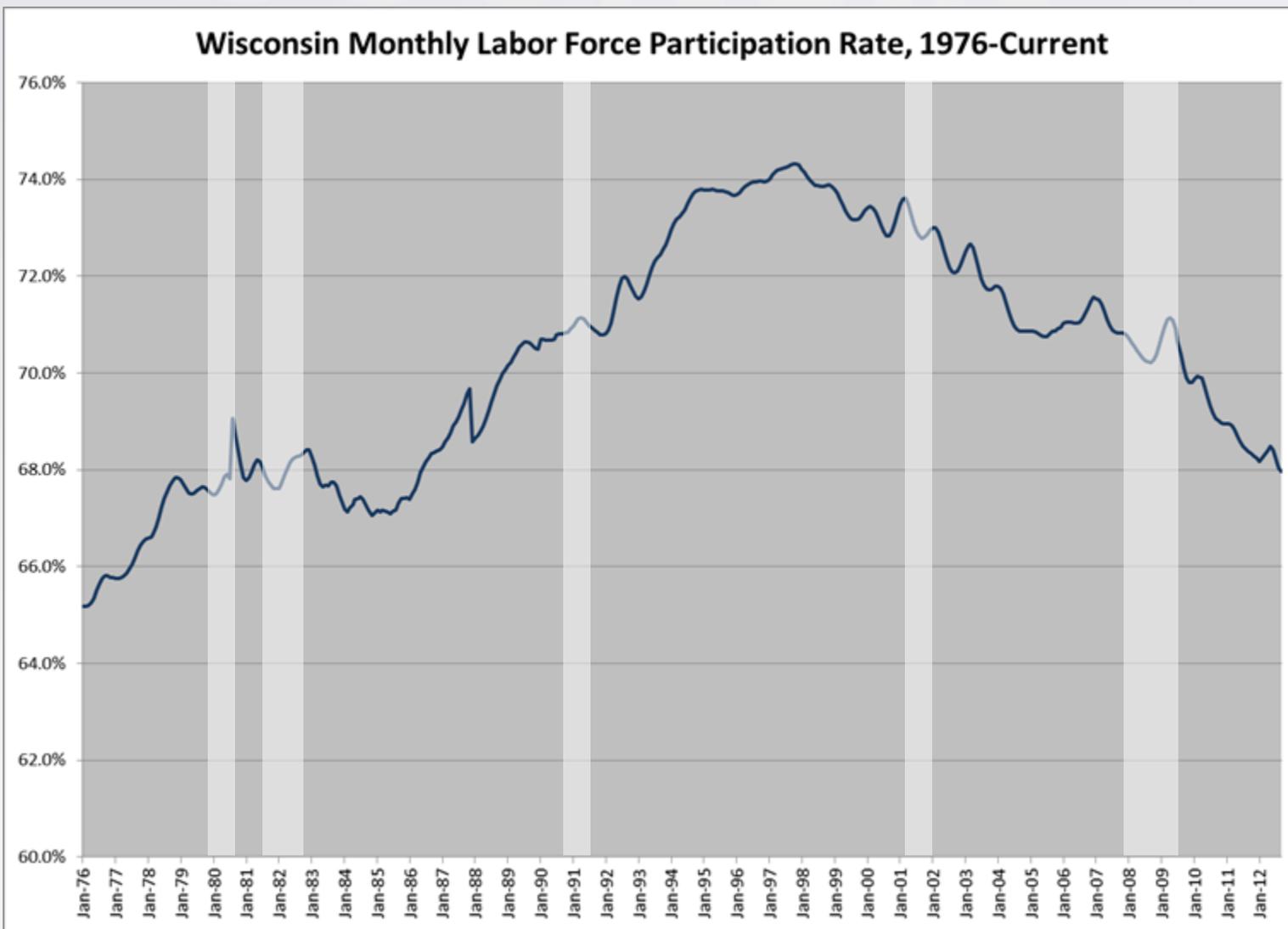
Wisconsin Monthly Employed-to-Population Ratio, 1976-Current



WORKFORCE PARTICIPATION TRENDS DWARF FLUCUATION

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Wisconsin Monthly Labor Force Participation Rate, 1976-Current

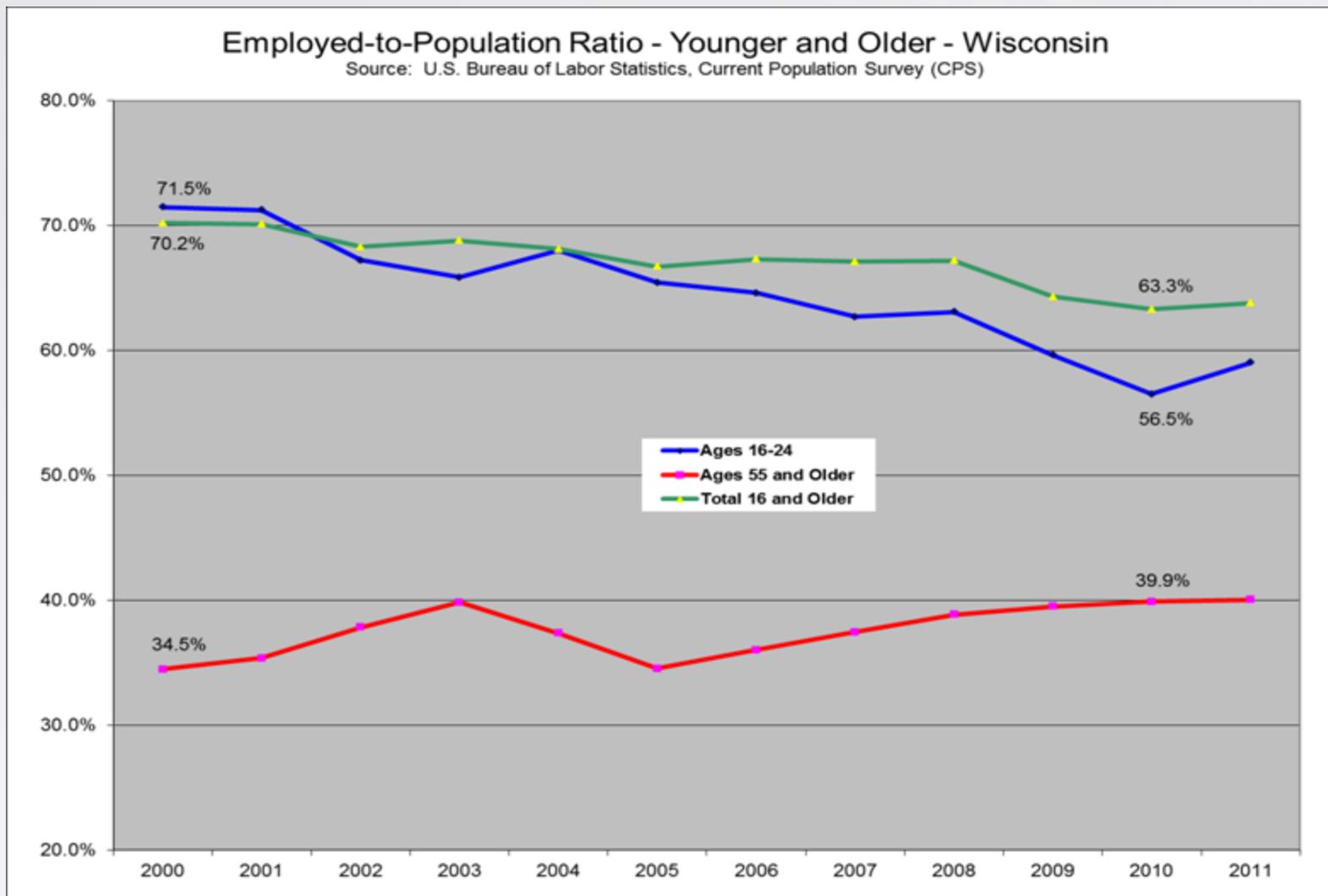


IT'S THE YOUNG THAT ARE DELAYING ENTERING THE WORKFORCE

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Employed-to-Population Ratio - Younger and Older - Wisconsin

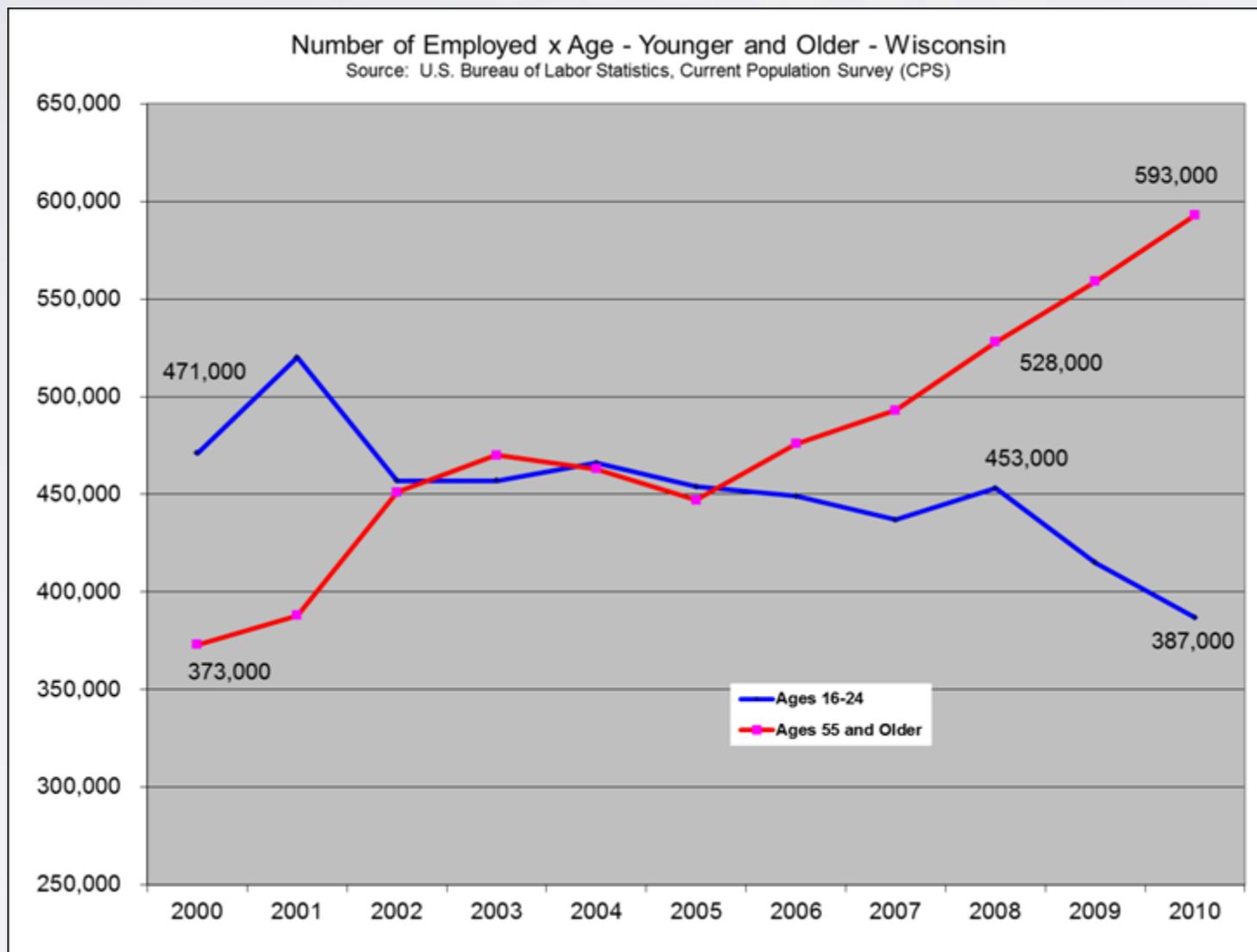
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS)



CHANGING LFPR

GREATLY ALTERS WORKER AGE MIX

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QUALITY



NEW ECONOMY NEED FOR SKILLS

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"The days are over when you could walk into a paper mill with a high school diploma and run one of the machines."

– Patrick Schillinger, former Wisconsin Paper Council President,
Center will teach paper-industry technology,
Milwaukee Journal Sentinel, JS Online, October 21, 2004.



TURN YOU LOOSE ON THIS BABY I DON'T THINK SO

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NEW ECONOMY

SCARCITY OF SKILLED WORKERS

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Former Federal Reserve Chairman Alan Greenspan voiced his concern about a growing earnings gap between highly skilled and unskilled workers.

"It's a problem caused basically by our skill mix not keeping up with the technology that our capital stock requires," the Fed chairman said. . . .



WORKFORCE TRENDS

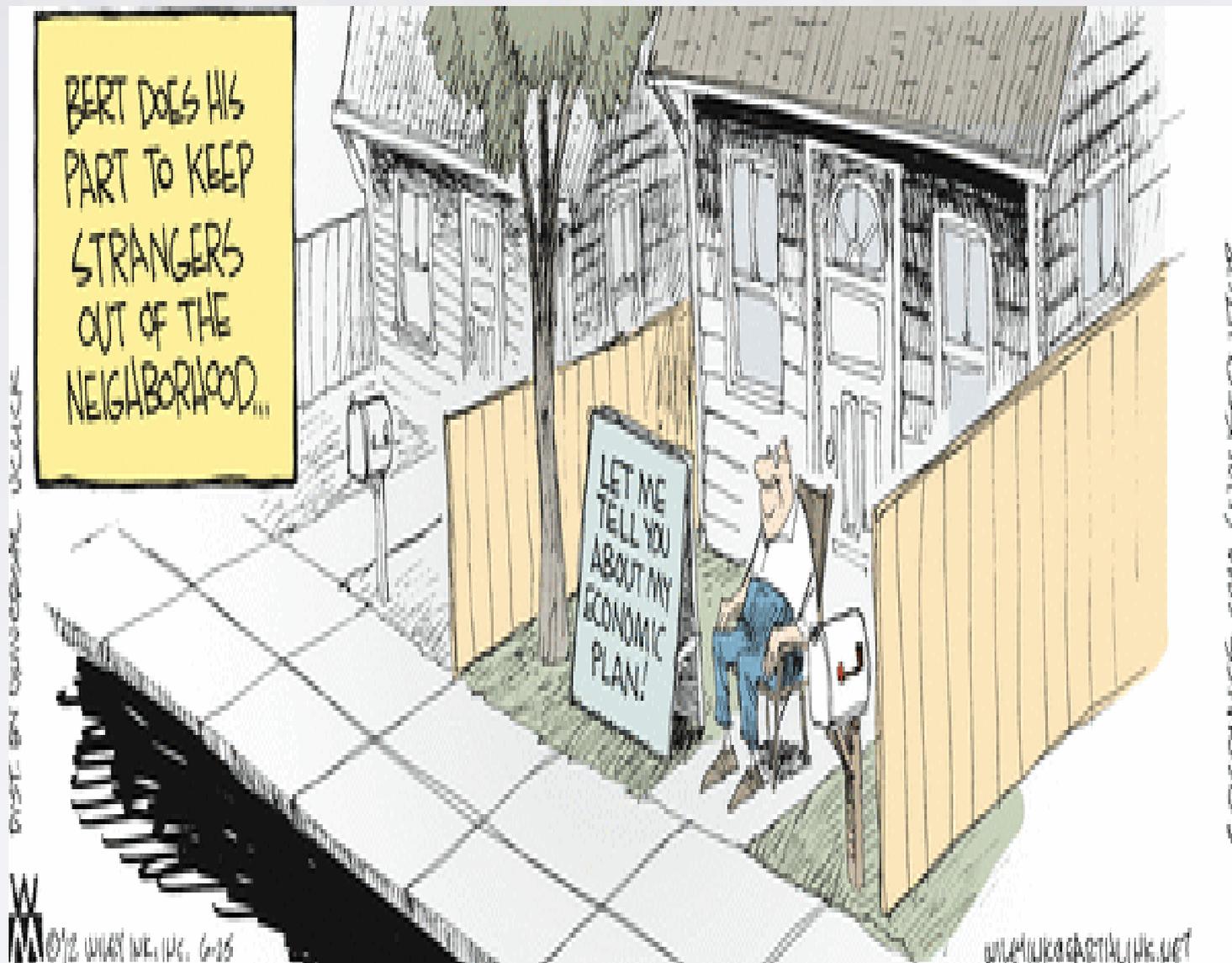
ARE:

- **Unprecedented – we have never faced a declining workforce before;**
- **Assured – demographics will change little;**
- **Largely unalterable – demographics and migration patterns do not change abruptly.**

RAMIFICATIONS OF WORKFORCE TRENDS ARE:

- **Potentially devastating – without sufficient productivity gains the state’s economy will stagnate;**
- **Necessitating a focus on talent – large investments in education and training are needed;**
- **Requiring match – talent supply and industry demand must be matched or you lose both.**

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Questions ?



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