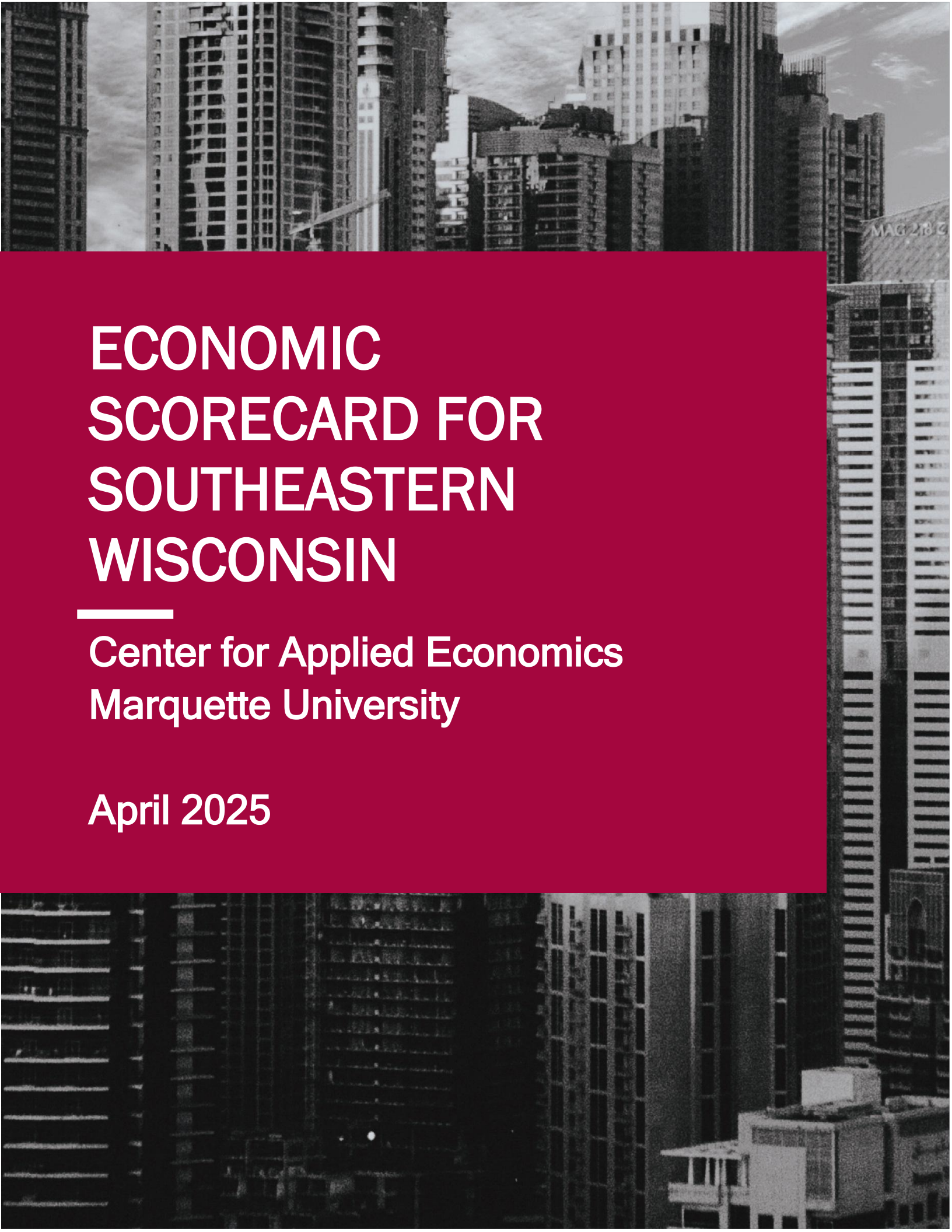

ECONOMIC SCORECARD FOR SOUTHEASTERN WISCONSIN

Center for Applied Economics
Marquette University

April 2025

Center for Applied Economics

Introduction and Executive Summary

This is the inaugural release of the Economic Scorecard for Southeastern Wisconsin. The purpose of this report is to provide the interested reader with a general understanding as to the current economic climate for the Milwaukee metro area and how it compares to the state of Wisconsin and the nation more broadly. Importantly, our goal is to forecast where particular economic indicators are trending into the future. To that end, we are presenting economic forecasts for several indicators through October 2025. It is our hope that this information will be useful for policymakers, businesses, and the broader public.

Wisconsin is in a good economic position relative to the U.S. as a whole. Overall, total state income in Wisconsin is growing at a faster rate relative to the national Gross Domestic Product. The unemployment rate in the state and in the Milwaukee metro region remains well below the national average.

While the Milwaukee metro region is in a good position relative to the national average, we are expecting labor market conditions to moderate throughout the next six months. While non-farm payroll employment is expected to grow through October, it will remain lower than the level reached in October of 2024. Manufacturing employment in the metro area is expected to stop the decline it has been experiencing since mid-2022; however, we expect no growth in this figure when comparing October 2025 to October 2024. One area of economic resiliency is that average hourly earnings is expected to continue its climb.

We thank you for taking the time to read through our report, and we hope that you have found the information provided to be useful and informative.

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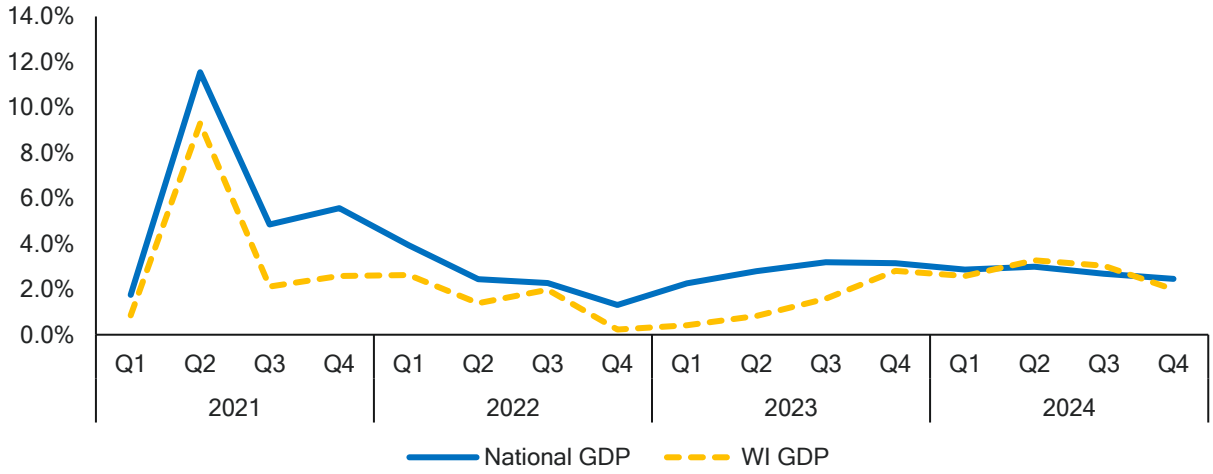
Current Economic Climate

Production

Gross Domestic Product is the value of all final goods and services produced within a given geographic area in a given period. This measure is often looked to when examining the overall health of the economy, and when GDP increases, that is typically seen as a sign of growth.

Economic growth in Wisconsin has moderated over the past two years following the post-pandemic rebound in 2021. After peaking at 9.3% year-over-year in Q2 2021, the state's real GDP growth slowed to between 1% and 3% from mid-2022 onward. In contrast to earlier periods when Wisconsin trailed national growth, the state's performance improved relative to the national average beginning in 2024. As of 2024 Q4, Wisconsin's annualized real GDP was approximately $357.3 billion, accounting for roughly 1.52% of the national economy.

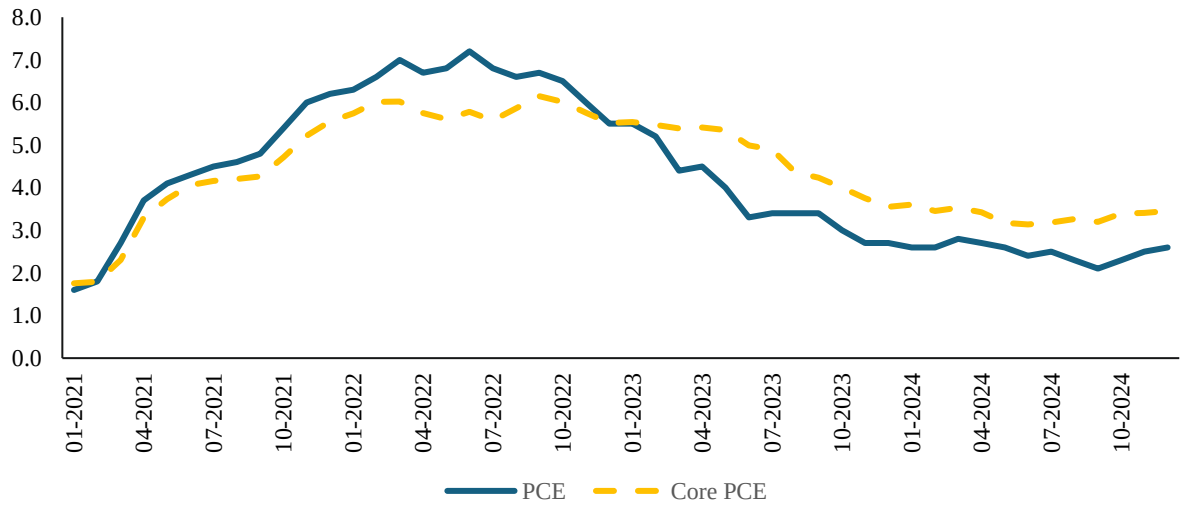
Figure 1. Year over Year Percentage Change in Chained value GDP - Source Bureau of Economic Analysis



Inflation

Inflation remains a broader concern. National trends from the Personal Consumption Expenditures (PCE) index, which is a broad measure representing consumer spending, suggest that price pressures are easing but have yet to fully return to the 2% target level established by the Federal Reserve Board. Inflation measured using the PCE slowed from 6.3% in 2022 to 3.7% in 2023 and 2.5% in 2024, while Core PCE inflation, which excludes food and energy, declined from 5.2% to 4.1%, and then 2.8% over the same period. Regional and state-level consumer inflation data for 2024 will not be available until fall 2025 but are expected to follow similar patterns.

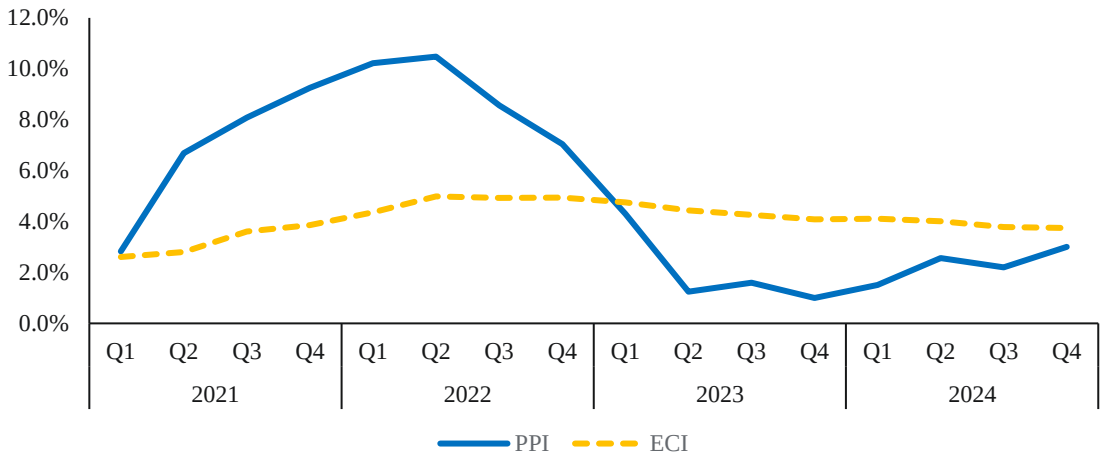
Figure 2. National Year-over-Year Percentage Change in PCE - Source Chained PCE, Federal Reserve Bank of St. Louis



The Commodity Producer Price Index (PPI) for final demand, a measure of prices received by domestic producers of goods, services, and construction sold for personal consumption, capital investment, government, and export, increased by 2.3% in 2024. This followed price increases of 9.1% in 2022 and 2.0% in 2023, reflecting a notable slowdown in producer price inflation. Meanwhile, the Employment Cost Index (ECI) for all civilian workers, which tracks the growth of total compensation paid by employers, rose by 3.9% in 2024, compared to 4.4% in 2023 and 4.8% in 2022. These trends suggest that producer prices and labor compensation have continued to moderate after peaking

earlier in the inflation cycle. It is important to note that the PPI is released by the BLS monthly. To place these two producer cost indices on the same graph, we converted the monthly PPI measures to quarterly figures by taking the 3-month average.

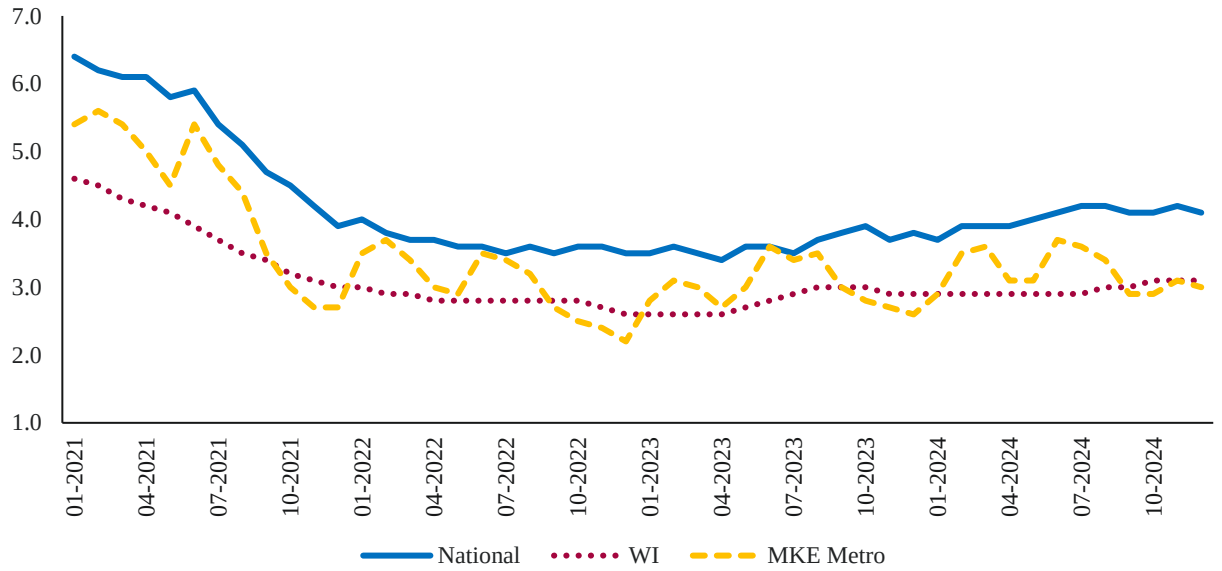
Figure 3. National Year-over-Year Change in PPI and ECI - Source Bureau of Economic Analysis



Employment

In December 2024, the national unemployment rate was 4.1%, up from 3.8% in December 2023, suggesting a loosening in labor market conditions. Wisconsin's rate was significantly lower at 3.1%, continuing a multi-year trend of outperforming the national average by about one percentage point. The Milwaukee metro area reported a 3.0% unemployment rate in December 2024 (not seasonally adjusted). For the year 2024 as a whole, the unemployment rate averaged 4.0% nationally, 3.0% in Wisconsin, and 3.2% in the Milwaukee area. This pattern of lower unemployment at the state and metro levels compared to the U.S. overall has remained steady over the past three years.

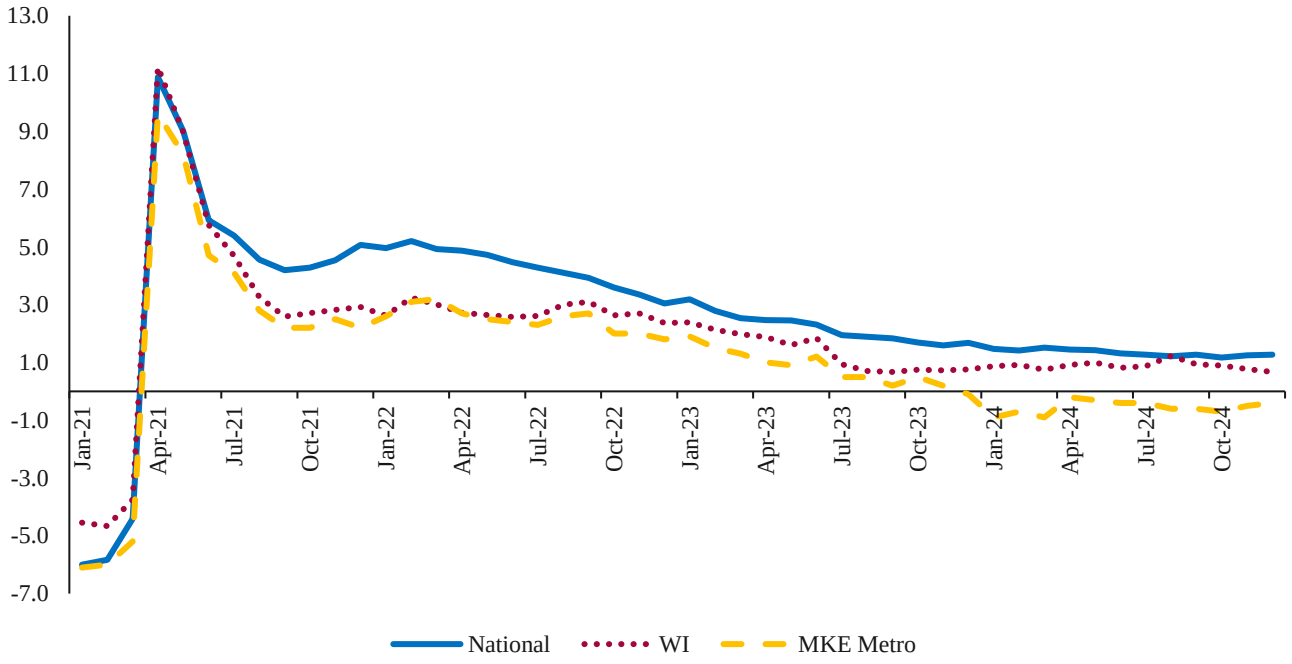
Figure 4. National, Wisconsin, and Metro Milwaukee Unemployment Rates - Source Bureau of Labor Statistics



National non-farm employment grew by 1.33% in 2024. Growth in Wisconsin's non-farm employment lagged behind the national average, equaling 0.63% in 2024, adding roughly 19,200 jobs across the state. Across sectors in Wisconsin, manufacturing experienced a notable decline, falling 2.31% in 2024 or a loss of roughly 10,000 jobs. In contrast, employment grew in private education and health services (+2.7%, or 12,800 jobs), construction (+2.62%, or 3,600 jobs), and leisure and hospitality (+1.59%, or 4,500 jobs).

The Milwaukee metropolitan area experienced a slight increase in non-farm employment by 0.14% in 2024, about 1,300 jobs. Therefore, while the Wisconsin and Milwaukee metro area unemployment rate outperforms the nation, this is not resulting in stronger employment growth. The Milwaukee metro area mirrored some of the same trends found for Wisconsin as a whole. Employment fell by 5.9% in information (-700 jobs), 2.44% in manufacturing (-2,800 jobs), and 2.02% in financial activities (-1,000 jobs). Meanwhile, gains were recorded in construction (+2.75%, or 1,000 jobs), leisure and hospitality (+1.62%, or 1,300 jobs), and private education and health services (+1.59%, or 2,800 jobs).

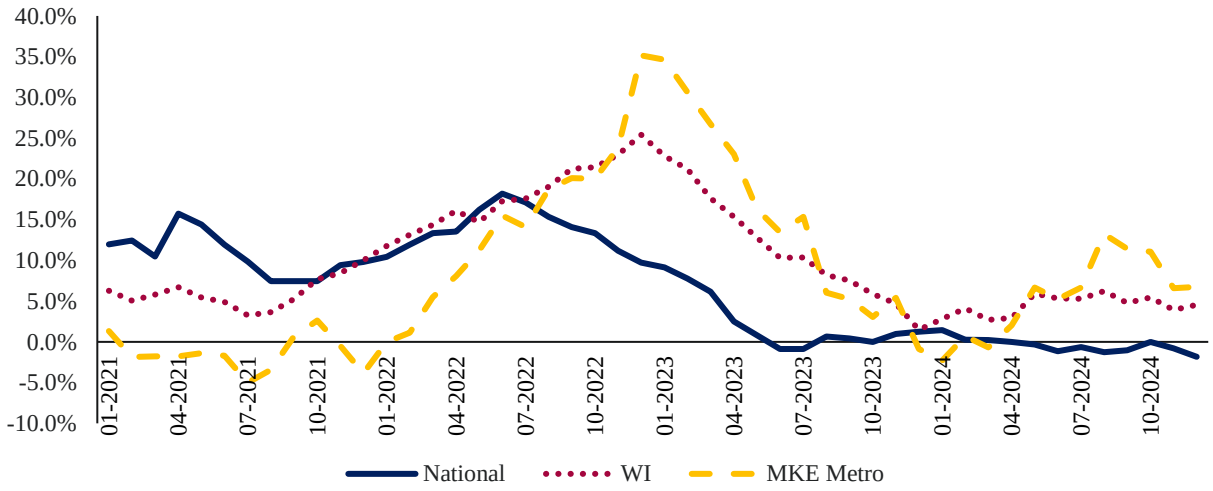
Figure 5: Year-over-Year Percentage Change in Non-Farm Employment - Source Bureau of Labor Statistics



Housing

In 2024, the average median home listing price in the U.S. was $424,631, a slight decline of 0.44% from the previous year. Meanwhile, Wisconsin's average median price rose by 4.5%, reaching $381,281. The Milwaukee metropolitan area saw even stronger growth, with the average median listing price climbing 5.56% to $376,991. This above-average growth in Milwaukee may create challenges for local employers. As housing costs rise, it can become more difficult for potential employees, especially those with lower incomes, to afford living in the area.

Figure 6. Year-over-Year Percentage Change in Median Listing Price - Source Realtor.com

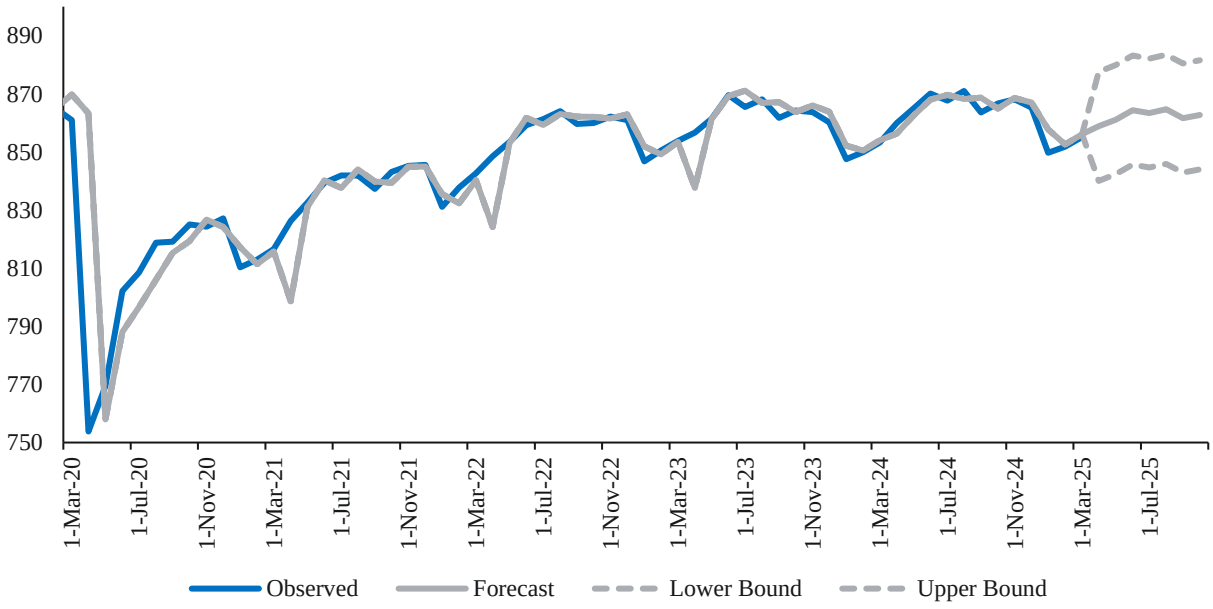


Looking Ahead: Data-Drive Forecasts for the Milwaukee Metro Region

Non-farm payroll employment

Non-farm employment in the Milwaukee metropolitan area is projected to reach 863,800 jobs by October 2025, a modest increase of approximately 7,700 jobs from the most recent data reported in March 2025. While relatively small in scale, this gain signals continued progress in the region's labor market recovery following the COVID-19 pandemic. The figures that follow show data from March 2020 onward, illustrating the most recent trends in the post-pandemic economy.

Figure 7: Nonfarm Payroll Employment Forecast (1000s)

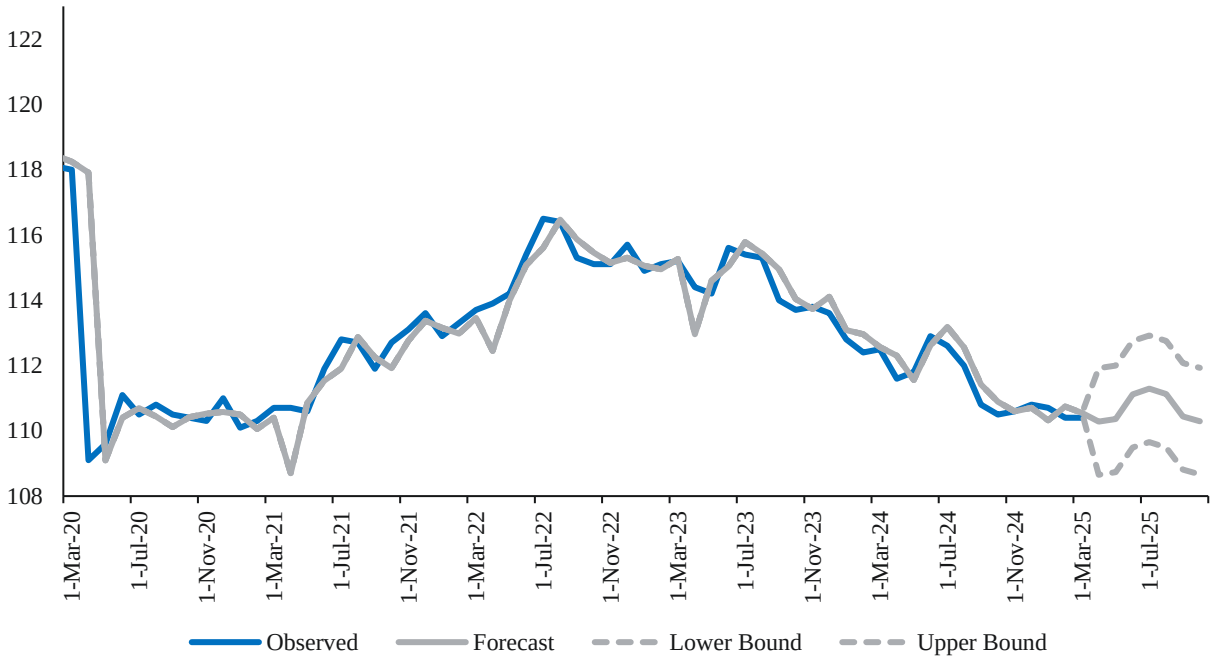


Manufacturing employment

The manufacturing industry accounts for a significant share of the region's workforce. However, employment levels are expected to remain largely unchanged, with total manufacturing employment projected at approximately 110,300 jobs by October 2025 - only slightly below the

110,400 reported in March. This stagnation in employment growth in this industry may reflect broader trends, including shifts in global supply chains, rising input costs, and productivity gains driven by automation.

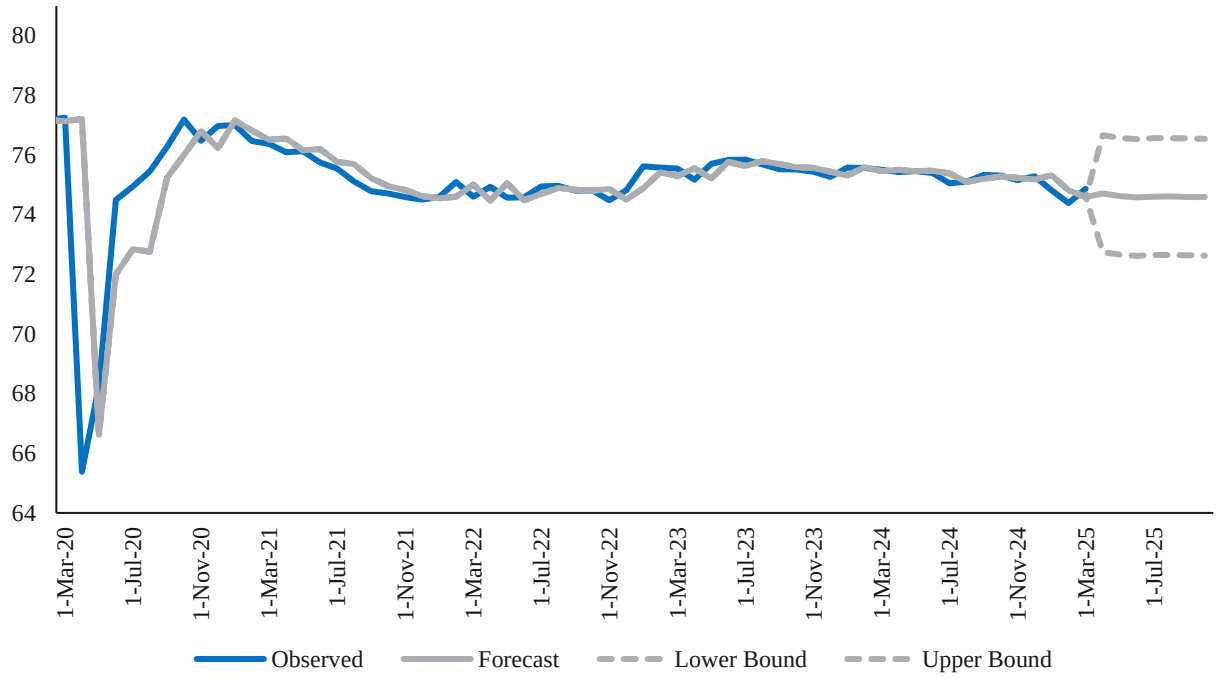
Figure 8: Manufacturing Payroll Employment Forecast (1000s)



Retail employment

Retail employment in the Milwaukee area is projected to see a slight decrease, falling from 74,900 jobs in March 2025 to 74,600 by October 2025. Since the pandemic, the industry has shown limited growth, likely reflecting lasting shifts in consumer shopping preferences brought on by COVID-19. Looking ahead, retail employment is expected to remain stable, indicating that no major structural changes are anticipated that significantly impact the local retail sector in the near term.

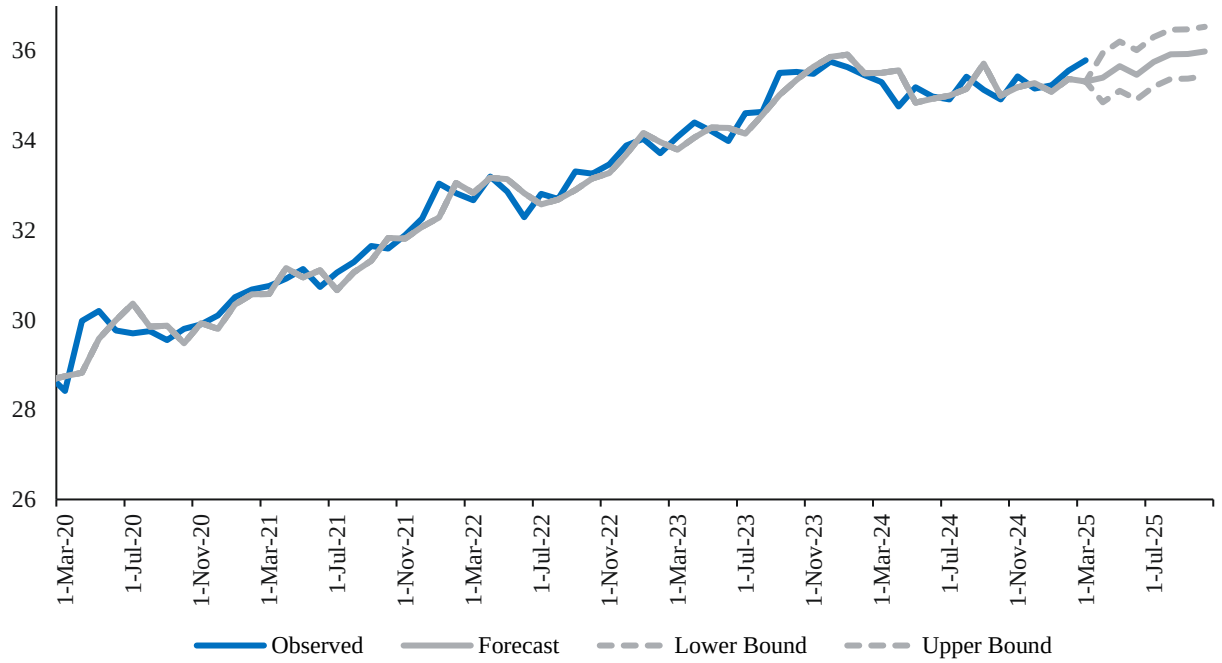
Figure 9: Retail Payroll Employment Forecast (1000s)



Average hourly earnings

Average hourly earnings in the Milwaukee metro area are projected to rise modestly from $35.79 in March 2025 to $35.98 by October 2025. While wages have grown strongly in the post-pandemic period, the most recent 12-month trend points to a slowdown in growth, suggesting a more stable labor market. This moderation in wage growth may be driven by a cooling labor market and easing inflationary pressures. Despite the deceleration, wage gains remain positive, signaling continued labor market resilience.

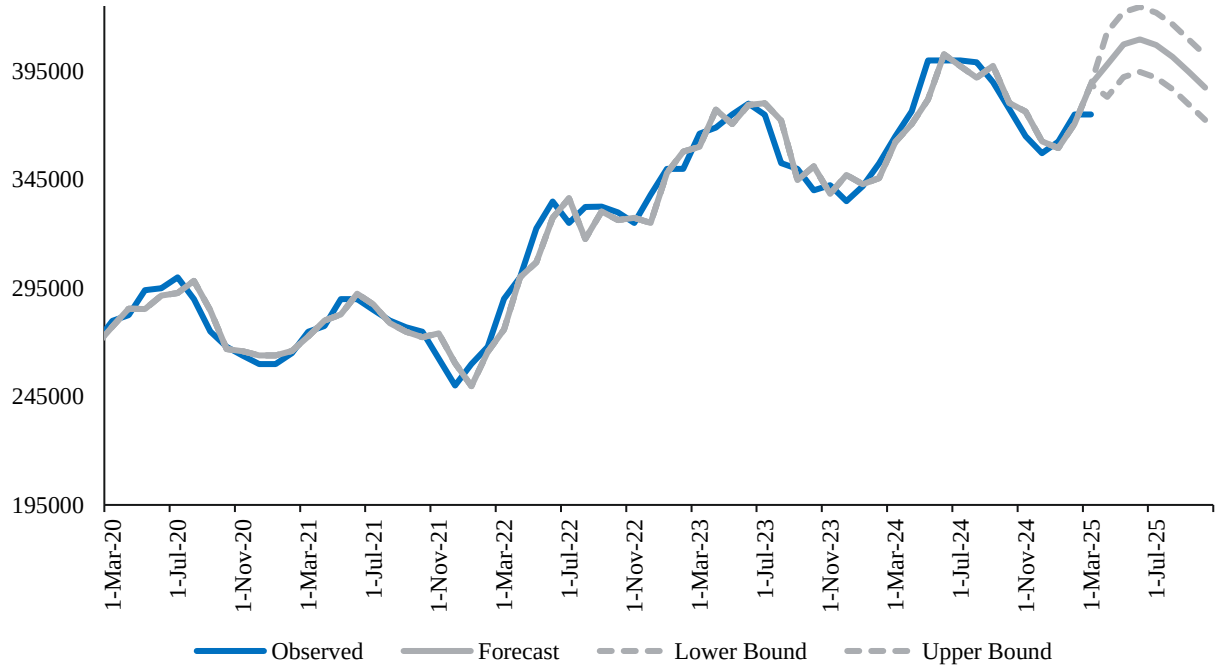
Figure 10: Average Hourly Earnings Forecast ($/hr)



Housing market

The median listing price of homes in Milwaukee is projected to rise from $375,000 in March 2025 to $387,400 by October 2025. This continued upward trend points to sustained housing demand, despite recent short-term price fluctuations. However, ongoing appreciation raises concerns about affordability if income growth does not keep pace. Looking ahead, Milwaukee's housing market is expected to maintain its steady climb. Combined with prevailing interest rates, these factors will continue to shape housing affordability in the region.

Figure 11: Median Listing Price of Homes Forecast ($)



Technical Appendix

The forecasts and data presented throughout this report come from the Bureau of Labor Statistics, the Federal Reserve Bank of St. Louis, and the National Association of Realtors unless otherwise noted in the above figures. Except for the median listing price, the forecasts presented above use data starting in January 2010 throughout the most recently available release from the above-mentioned government agencies. Due to data constraints, the time series for the median listing price begins in July 2016. Each variable for the forecasts was gathered at the Milwaukee metropolitan area level, which is the Milwaukee-Waukesha metropolitan statistical area. All forecasted variables use monthly data.

To provide the forecasts above, we use an autoregressive integrated moving average (ARIMA) modeling strategy. The ARIMA model is a forecasting technique that utilizes past observations and trends to predict future values. This approach assumes future trends will resemble those in the past. For each economic indicator examined here, forecasts were made using the first-differenced values to ensure stationarity. Autocorrelation and partial autocorrelation functions were used to choose the autoregressive (AR) lags for each variable. We did not incorporate any moving average lags.

The ARIMA specifications for each variable are:

- Non-farm payroll employment: AR(2,12,24,36)
- Manufacturing employment: AR(3,12,24,36)
- Retail employment: AR(1,2)
- Average hourly earnings: AR(1,3,9,12,15,24,30)
- Median listing price of homes: AR(1,5,10,12)

The mean absolute percentage error (MAPE) denotes the accuracy of each ARIMA model constructed. The MAPE represents the average absolute error of the forecasts as a percentage relative to the observed value. The MAPE for each of our forecasts can be found below:

- Non-farm payroll employment: 0.49%
- Manufacturing employment: 0.38%
- Retail employment: 0.51%

- Average hourly earnings: 0.79%
- Median listing price of homes: 1.96%

These values indicate strong predictive power across each model; however, it should be noted that several sources of uncertainty could impact the accuracy of the forecasts. The ARIMA model requires past trends to resemble future trends, but events have the potential to disrupt trends. Geopolitical risks such as political instability, policy interventions, and changes in tariff rates can result in unexpected shocks to the economy. Technological innovations through artificial intelligence and disruptions in the global supply chain from the COVID-19 pandemic altered the predictive power of economic forecasts in the past, and similar situations could do the same to these models. Local risks, such as significant changes in state-level employment policy, could also cause these forecasts to deviate from the predicted values.