

Metro Economic Digest

Milwaukee-Waukesha, WI

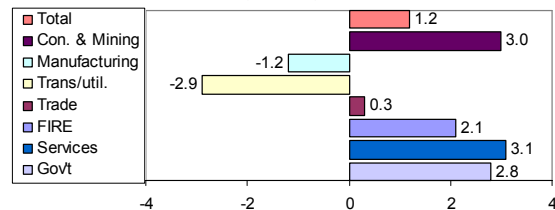
ECONOMIC CONDITIONS

Presently, Milwaukee-Waukesha PMSA economy is experiencing a very uninspired growth. One of the main constraints to growth is the area's struggling manufacturing sector. After being in a "no growth" mode for three of the last four months, the Milwaukee-area economy remained flat, according to a business survey released by the National Association of Purchasing Management-Milwaukee. Despite the manufacturing slowdown, the metro economy is experiencing positive employment growth due in part to revamp growth in the service sector.

Other segments of the manufacturing sector are also struggling. Maynard Steel Casting Co., Milwaukee, revenue has dropped 47 percent and has laid off 19 employees. The company now has about 250 employees, down from 350 three years ago. Another metal foundry, Pelton Casteel Inc. plans to close its Milwaukee plant, as reported by the Business Journal of Milwaukee.

CURRENT EMPLOYMENT TRENDS

January 2001 Employment Growth
% Change Year Ago



Real Estate. Milwaukee-area real estate market will cool off in 2001. For the first time in several years, Milwaukee-area real estate professionals are not gearing up for red-hot year of property development. Economic uncertainty has weakened the local outlook for 2001 and are preparing for the worst. Signs of a slowdown already have taken hold, with an oversupply of industrial, retail and office space.

Despite the slowdown, buildings are holding their values, and new developments in prime areas shouldn't be affected by the slowdown and the 10 percent vacancy rate for retail properties in Milwaukee county likely will remain steady or increase slightly.

On the Bright Side. The metro area is benefiting from other economic sectors. Milwaukee-area construction activity is up 17%, creating an economic impact on the area of \$600.3 million. Recent projects such as the opening of the Lake Parkway, and the ongoing work on an \$8 million refurbishment of Lincoln Memorial Drive, which will improve access to the waterfront and its recreation venues.

STRENGTHS AND WEAKNESSES

STRENGTHS

- *Increased Construction Activities*
- *Revitalization of downtown*
- *Improvement in its transportation network*
- *Reasonable business and living cost*

WEAKNESSES

- *Negative population growth*
- *Unfavorable migration trend*
- *Tight labor market*
- *Weakening manufacturing sector*

Manufacturing. The metro area's economy relies heavily on manufacturing, accounting of over 20 percent of the areas' total employment. Area manufacturers are reporting shakiness in new orders.¹

The manufacturing segment hurt worst by the recent downturn appears to be the automotive industry. Among the companies affected so far, DaimlerChrysler has cut back significantly on its engine division in Kenosha, laying off close to 1000 jobs. Modine Manufacturing Co., a maker of automotive heating and cooling systems suffered loss sale in its heavy truck and light vehicle markets.

¹ A seasonally adjusted index. A rating of 50 is neutral, with less than 50 indicating declining economy and more than 50 showing economic expansion.

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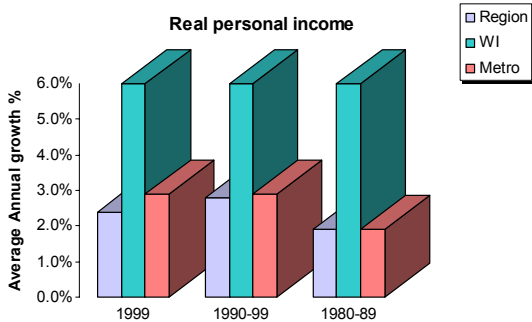
Milwaukee-Waukesha, WI

Because of continued growth in regional air traffic there is ongoing work to add 7-10 new gates at Mitchell Airport. The metro region will also benefit from spill over of business travelers from Chicago, who has listed MIL as a favored metro area for future direct flights. The additional new gates and continued performance of Midwest Express Airlines, Sun Country Air and Wisconsin Air should help draw additional flights to the metro area and improve regional accessibility even further.

The recent revitalization of downtown has created an atmosphere conducive to retail growth. Although employment from retail trade has not matched up to previous year levels, future growth is favorable. The recently completed Midwest Express convention hopes to attract significant business to the area. New stores such as Walgreen, Wal-Mart and Jewel-Osco are being constructed in the metro area. The new stores should provide over 400 retail jobs to the area once completed.

Key Statistics

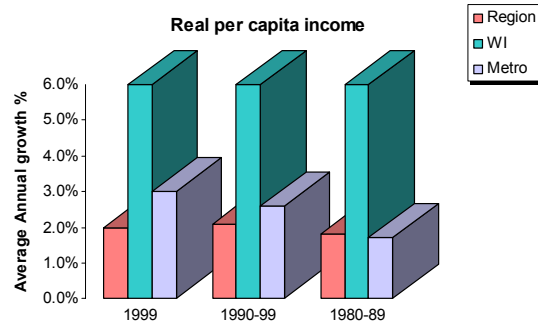
Real personal income Real personal income is current income adjusted by the GDP price deflator. Real personal income for the metro area was weak in 2000 at 2.9%. That was higher than the region but lower than the state, where real income growth was 2.4% and 4.9% respectively. Out of 320 metro areas, Milwaukee-Waukesha, WI PMSA ranked 146 in current dollar personal income growth.



Sources: EconMagic.com and www.econ-line.com

	Average annual growth %		
	1999	1990-99	1980-89
Metro	2.9%	2.9%	1.9%
WI	4.9%	5.5%	6.9%
Region	2.4%	2.8%	1.9%

Real per capita income Real per capita income is the ratio of real personal income to population. The area per capita income grew a favorable 3.0% in 1999. That is higher than the region and lower than the state of WI, which grew 2.0% and 4.4% respectively. Out of 320 metro areas, Milwaukee-Waukesha, WI PMSA ranked 37 in the nation in real per capita income, while growth ranked 75.



Sources: EconMagic.com and www.econ-line.com

	Average annual growth %		
	1999	1990-99	1980-89
Metro	3.0%	2.6%	1.7%
WI	4.4%	4.7%	6.4%
Region	2.0%	2.1%	1.8%

FORECAST RISK

Plus

Development of proposed rail system and addition gates at Mitchell Airport increases access to the area.

Revitalization of downtown creates atmosphere for retail growth

Continued reasonable business and living cost

Drawbacks

Tight labor market, weakening real estate market and declining population limits the arrival of new business.

*Christopher Letang
March 2001*