

## **Looking ahead**

By Sean Johnson

*As published by Insight Magazine in 1/09*

Optimism for 2009 tempered by economic realities

Michael Noone sees better days ahead for the economy of Northeast Wisconsin. Given all that's occurred in 2008, from the housing market collapse to the financial freeze to creeping unemployment and finally the roller coaster that is Wall Street, it's hard to find much to be optimistic about. The country is now officially in recession that many predict won't end until 2010.

Yet, Noone is optimistic. So are a lot of people who do business in Northeast Wisconsin.

"I think that from any perspective, 2008 was not a good year," says Noone, president of First Business Bank – Northeast. "For 2009, people in this area are looking for a better year."

Noone's optimism is not just wishful thinking, but a reflection of the responses to a recent economic survey of the area commissioned by First Business Bank and conducted by the A.C. Nielsen Center for Marketing Research at the University of Wisconsin – Madison School of Business. The results were presented Dec. 18 at the First Business Bank Economic Event at Butte des Morts Country Club, sponsored by the bank, the University of Wisconsin – Oshkosh and *Insight* magazine.

Conducted between September and October, the survey of CEOs, CFOs, presidents and business owners found that many businesses had a flat or down year in 2008, with almost as many businesses – nearly 43 percent – reporting an increase in profitability in 2008 as there were reporting a decrease, also about 43 percent.

The optimism comes from looking at expectations for 2009, where more than 70 percent of those surveyed project they will at least do the same as 2008, if not better. The number of businesses forecasting a decline in profitability drops to slightly under 30 percent.

Noone says the results are a reflection of the regional economy.

"This is the Valley. The coasts have the problems first, and we don't usually see the problems as quickly or as extremely," he says. "This is a conservative area. We are still doing well from a manufacturing perspective."

Some of the optimism for the 2009 outlook is tempered by the reality of when the survey was conducted. The responses were collected just prior to the crises in the credit markets. While businesses had been facing recessionary pressures for some time, the extent of the problems nationally erupted into the public consciousness after the data was collected.

That can't be ignored when looking at the projections for 2009, says E. Alan Hartman, provost of the University of Wisconsin – Oshkosh, who led the panel presentation last month.

"The full impact of what has happened recently may not be reflected," Hartman says.

That may not be a bad thing, says Scott Converse, director of technology programs at the UW – Madison School of Business.

“There was a decline that had been occurring throughout that time span, but the volatility that we have felt and heard and seen daily through the news media was not present,” says Converse, who led the panel discussion of the results for Dane County. “It gives us a more accurate estimate tool.”

The results are consistent, and there does seem to be a mood of optimism heading into 2009 for the local economy.

Of course, some sectors see things more brightly than others. The technology sector reported results that were more negative than many other business sectors. It was the only category where more than 50 percent projected a decline in profitability in 2009. Yet, the sector is quite bullish on sales opportunities for 2009, with 71 percent reporting they expect sales to increase. Part of that anomaly may be the smaller number of responses by businesses in the technology category. About 2 percent of the businesses providing data for the survey classified themselves as technology companies.

For employees, 2009 is projected to look a lot like 2008. While there were some major layoffs in the region, most companies reported modest changes to both payroll and the number of employees.

Most changes in the number of employees and wages tended to be in the 1 to 3 percent increase range for 2008. For 2009 more than 85 percent of the companies surveyed reported no change or an increase in employees, while more than 95 percent see wages staying the same or increasing.

Overall, the survey shows most businesses have a moderate expectation for 2009. Most companies are projecting revenues to increase and few are expecting cost increases. How much the recent economic turbulence changes that outlook remains to be seen, Hartman says.

“I think you have to be careful when you frame the discussion, but you can also talk about the resiliency of Wisconsin,” Noone says. “We tend to not have the highs and lows of other areas.”

---

## KEY RESULTS

The First Business Economic Survey was conducted in September and October of 2008 and was sent to 7,500 businesses in Northeast Wisconsin. A total of 690 responses were received. The survey asked questions regarding eight economic indicators: sales revenue, profitability, total operating costs as a percentage of revenue, capital expenditures, number of employees, wage changes, pricing and operating capacity.

INDICATOR	2008 RESULTS	2009 EXPECTATIONS
<i>Sales revenue</i>	<b>54.4</b> percent increase	<b>53.0</b> percent increase
	<b>8.6</b> percent no change	<b>17.6</b> percent no change
	<b>37.0</b> percent decrease	<b>29.3</b> percent decrease

<i>Profitability</i>	<b>41.8</b> percent increase	<b>44.39</b> percent increase
	<b>14.6</b> percent no change	<b>26.2</b> percent no change
	<b>42.6</b> percent decrease	<b>29.4</b> percent decrease
<i>Employment</i>	<b>25.6</b> percent increase	<b>23.3</b> percent increase
	<b>49.8</b> percent no change	<b>62.4</b> percent no change
	<b>24.6</b> percent decrease	<b>14.3</b> percent decrease
<i>Wage Change</i>	<b>69.1</b> percent increase	<b>62.1</b> percent increase
	<b>24.9</b> percent no change	<b>33.3</b> percent no change
	<b>6.1</b> percent decrease	<b>4.6</b> percent decrease

---