First National Bank

Of Stevens Point

STEVENS POINT AREA
1986
ECONOMIC INDICATORS

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Overview

The U.S. economy continued to expand at a modest rate during the last quarter of 1986. The data in Table 1 follows a pattern that was established earlier in the year. Real Gross National Product expanded 2.5% during the fourth quarter of 1986. Thus, the third longest period of economic growth since the turn of the century continues onward. Industrial production reflects a scant improvement of .9% over last year. Evidence to support the high probability of a continued expansion, are the data concerning interest rates, which were down to 5.7% at the end of the year. Moreover, inflation remains under control. During fourth quarter, only a 1.1 % increase was recorded over last year.

The continued improvement demonstrated during the fourth quarter of 1986 can be attributed to lower interest rates, the falling dollar, and consumer purchases, the latter reflecting an attempt to take advantage of 1986 tax laws. Furthermore, industrial production increased significantly by .5% in December. The healthy performance in December is being linked to the falling dollar and to year-end tax considerations. Operating capacity numbers show improvement toward the end of the quarter. The seasonally adjusted December figures indicate that the factories of the nation were operating at 80.3% of capacity, up from 79% in October. Inflation is expected to pick up during the year. Increasing money supply, forecasted increases in energy costs, and a falling dollar should contribute to a rise in the Consumer Price Index of about 3.0% to 4.0%.

The Central Wisconsin economy continued to display improvement which began last quarter. The unemployment rate either remained stable, as in Portage County, or declined, as was the case in Marathon and Wood counties. The region fell somewhat behind the improvement experienced state-wide. Moreover, the region and the state did not keep pace with the nation as a whole with regard to the reductions in the unemployment rate.

Employment in the region has increased by over 4000 positions when compared to fourth quarter 1985. All of the counties in the area showed improvement. Wood County had a particularly good year, as over 2000 jobs were added to its payrolls. Portage and Marathon recorded job expansion of 2.2% and 1.8%, respectively, during fourth quarter. At the state and national levels almost identical percentage increases were recorded, i.e. 2.4% and 2.3%. Regional employment by industrial sector exhibited strength with 3200 more people employed than a year ago. Trade, durable goods and government led in percentage growth rates. The government employment growth figure may be a soft number. That is, the increase in regional government employment can be traced to short-term activities in Portage County. Overall employment in the nonfarm sectors either expanded or remained relatively stable from last year.

Key sector employment provides a solid basis for optimism for the region's future. These sectors grew at a combined rate of nearly 3.0% during the past year. Of even greater importance, the forecast for these industries is for greater profitability in 1987. Thus, the CWERB expects employment expansion to take place in the region's key industries. Another positive sign is the business confidence index which indicates that regional business leaders expect local and industry conditions to improve during the upcoming year. This level of optimism bodes well for the economic health of the region. This favorable factor should translate into future employment and income gains for the area.

The economic performance of Marathon County during fourth quarter 1986 surpassed, albeit moderately, the level achieved one year ago. The county's unemployment rate was significantly lower than fourth quarter 1985. Total employment increased by 900 positions. Manufacturing, trade, and services led in nonfarm job creation. The retailer confidence index, financial statistics, and the regional business confidence index point forward continued modest growth. Also the help wanted index and residential construction data support the pro-growth forecast for the local economy. Lastly, the outlook for key Central Wisconsin industries is one of greater profitability. This will have a positive influence on the local community.

TABLE 1:
NATIONAL ECONOMIC STATISTICS

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	$4,268.0	$4,087.7	+4.4
Real Gross Domestic Product (Billions of 1982$)	$3,713.9	$3,622.3	+2.5
Industrial Production (1977= 100)	126.6	125.5	+0.9
Three Month U.S. Treasury Bill Rate	5.68%	7.02%	-19.1
Consumer Price Index (1982-84 = 100)	331.1	327.4	+1.1

Central Wisconsin

The region of Central Wisconsin is defined as the area encompassing Marathon, Portage, and Wood counties. Fourth quarter Central Wisconsin economic activity demonstrated a great deal of improvement over that of last year. Table 2 presents the unemployment rates of the counties, region, state, and nation. Portage County unemployment remained unchanged from last year at 8.0%. However, this represents the first time since first quarter of 1986 that the unemployment rate has not risen. In Marathon County, the unemployment rate has decreased from 8.1% in 1985 to 7.7% in 1986. Wood County showed a similar decline of 4 tenths of a percentage point falling to 7.5% in December. Overall, the region experienced an improvement in the unemployment rate as it fell from 8.0% to 7.7%. Although the state and the nation exhibited lower rates than the region, 7.1 % and 6.3 % respectively, the historical context for the region shows marked improvement over double-digit unemployment rates during the dark days of fourth quarter 1982.

Table 3 gives data on the numbers of individuals employed in the counties, region, state, and nation. It appears that the improved conditions forecasted during third quarter have materialized. Employment levels have increased in all coverage areas. In Portage County, employment has expanded by 600 positions or 2.2% from last year. This represents a reversal of the trend started earlier this year. Marathon registered a 900 position expansion or a 1.8% increase in employment. This is the fourth quarter in a row that payrolls have expanded in Marathon County. Wood County experienced excellent employment expansion in posting a robust growth rate of 6.6%. The actual number of increased positions amounted to 2100. The region saw 3600 more people, than in fourth quarter 1985 on payrolls, thus indicating a 3.3% rate of growth. The employment growth rate of the region exceeded that of the state and nation, i.e. 2.4% and 2.3%.

A detailed examination of the improved employment situation by industrial sector is made possible by the data presented in Table 4. Manufacturing employment increased by 2.4%. Moreover, durable goods manufacturing rose 5.8%. Trade and government also experienced strong job expansion of 7.8% and 6.5%. Construction employment remained stagnant. Services was the only sector that recorded a decrease from fourth quarter 1985. Even here the decrease was only .6%. Overall, nonfarm employment improved by 3200 positions or 3.3%. Thus, the region experienced a healthy expansion in employment.

Table 5 examines key Central Wisconsin industries. All sectors demonstrated improvement or stability. Paper products, and lumber and wood products continued an expansion that commenced over one year ago. Forecasts for these industries are optimistic for 1987, attributable to the declining dollar and the continued increase in demand for wood and paper domestically and worldwide. Food processing employment remained unchanged from last year. Finance, insurance, and real estate employment has stabilized at 7.2 thousand, after experiencing difficulties over the past year. The general outlook for the insurance component of the sector is brighter than it has been in the past several years, with a greater potential for profitability.

Table 6 presents the opinions of regional business executives with regard to economic conditions. Recent changes in national and local economic conditions are not viewed as favorably as last quarter. The response level still falls within the "no change is foreseen" category. However, assessments of expected local and industry changes were considerably more optimistic than last quarter. Overall responses can be classified in the "somewhat better conditions are to be expected" range.

TABLE 2:
UNEMPLOYMENT IN CENTRAL WISCONSIN

	Unemployment Rate December 1986	Unemployment Rate December 1985	Percent Change
Portage	8.0%	8.0%	0
Marathon	7.7%	8.1%	-4.9
Wood	7.5%	7.9%	-5.1
Central Wisconsin	7.7%	8.0%	-3.8
Wisconsin	7.1%	7.4%	-4.1
United States	6.3%	6.7%	-5.9

TABLE 3:
EMPLOYMENT IN CENTRAL WISCONSIN

	Total Employment December 1986 (Thousands)	Total Employment December 1985 (Thousands)	Percent Change
Portage	28.1	27.5	+2.2
Marathon	51.8	50.9	+1.8
Wood	34.1	32.0	+6.6
Central Wisconsin	114.0	110.4	+3.3
Wisconsin	2,266.4	2,213.6	+2.4
United States	110,588.0	108,063.0	+2.3

TABLE 4:
CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR

	Employment December 1986 (Thousands)	Employment December 1985 (Thousands)	Percent Change
Manufacturing	25.6	25.0	+2.4
Durable goods	10.9	10.3	+5.8
Nondurable goods	14.9	14.7	+1.4
Services	30.6	30.8	-0.6
Trade	25.0	23.2	+7.8
Construction	2.7	2.7	0
Government	16.5	15.5	+6.5

TABLE 5:
EMPLOYMENT IN KEY CENTRAL WISCONSIN INDUSTRIES

Industry	Employment December 1986 (Thousands)	Employment December 1985 (Thousands)	Percent Change
Paper Products	8.8	8.7	+1.1
Lumber and Wood Products	4.2	3.6	+16.7
Food Processing	4.0	4.0	0
Finance, Insurance, and Real Estate	7.2	7.2	0

TABLE 6:
BUSINESS CONFIDENCE IN CENTRAL WISCONSIN

	Index Value	
	September 1986	**December 1986**
Recent Change in National Economic Conditions	51	56
Recent Change in Local Economic Conditions	55	57
Expected Change in National Economic Conditions	58	53
Expected Change in Local Economic Conditions	66	48
Expected Change in Industry Conditions	70	54

Stevens Point Area

The Stevens Point area experienced improvement in economic conditions during fourth quarter 1986. The unemployment rate has stabilized. Total employment increased by 2.2070 over that of last year. The negative employment shocks associated with Soo Line and Mid State Airlines will soon play themselves out as the local economy adjusts itself. Retailer confidence while down somewhat from last quarter remains essentially optimistic. Labor demand continues to be stronger this year than last which will translate into future jobs. Residential and nonresidential construction have shown signs of responding to the relatively lower interest rates. Financial conditions show signs of continued vigor. The outlook for many of the local industries is quite bright for 1987. Thus it appears that sustained expansion in the local economy is to be expected.

Portage County employment by sector is displayed in Table 7. Manufacturing employment remained unchanged from a year ago. This is an improvement over last quarter's contraction. Services when compared to fourth quarter experienced a decline. Weakness in this sector can primarily be traced to the transportation component, 510 fewer people are employed in the transportation sector than a year ago. Trade continues to show growth for the third consecutive quarter. A very respectable expansion of 3.8% was recorded. Also, construction payrolls grew by 20 more positions. Government employment increased by 1000 positions or 19.2% from last year. This large amount of growth is maybe misleading. Reasons for the expansion are as follows. First, snow removal and park maintenance hiring; second, CESA program employing youth for clean-up purposes; and third, general relief, money for work services. Therefore this gain in government employment may be temporary in nature.

Table 8 gives the retailer confidence index for Stevens Point. The responses uniformly tend to be less optimistic than in September. However, for each question asked the response level fell into the "mildly better" range. Locally, sales and store traffic are expected to improve.

The help wanted advertising index is presented in Table 9. As can be seen the index stands 47 points higher than in December 1985. This is the fourth consecutive quarter that the index has stood above last year's levels. Thus one can say that the local employment picture is strengthening after the occurrence of several unfortunate shocks to the local economy.

As of first quarter 1986, public assistance figures are being compiled on a county wide basis (Table 10). The change in the data base may tend to overstate the number of claims relative to previous quarters, but should provide a more precise picture of future conditions in the county.

Table 11 presents unemployment claims in Stevens Point. The last quarter of 1986 saw claims rise by 114 cases or 4.6% from last year. A decrease in unemployment claims filed was reported for second quarter. However, this decrease now appears to be attributable to less accessibility and the increase in the number of weeks necessary to qualify; i.e. third and fourth quarter results have been in the opposite direction. Claimants have adjusted to the new conditions and now we are seeing a more accurate picture of local conditions.

In order to provide a more precise portrayal of residential construction in the area, construction data for the outlying areas of Hull, Stockton, Sharon, and the Town of Plover have been incorporated into Table 12. When the data is combined with the 1985 and 1986 Stevens Point. Village of Plover numbers, significant increases are registered in all but one category. Residential permits, estimated value of new homes, residential alteration permits, and estimated value of residential alterations increased substantially. The strength exhibited in this leading ecbnomic indicator will create a ripple effect in the local economy and provide impetus toward future growth.

Nonresidential construction is presented in Table 13. Strength is evident in the estimated value of new structures, the number of business permits, and estimated value of business alterations. Once again construction activity is a leading economic indicator which stimulates the local economy. The largest projects undertaken during the fourth quarter were by the COPPS corporation with its expansion on Church Street, a software company, and a veterinary clinic.

Table 14 presents the financial statistics for Portage County. Bank deposits have been expanding since fourth quarter 1985 by $12 million or a very respectable 4.8070. Bank loans were up by a significant 7.0% or $10 million compared to a year ago. It should be noted that the bank loan figures are understated by an amount equal to the dollar amount of loans resold in the after market. For example, during fourth quarter 1986, over $2.8 million worth of this activity took place. This information supports the construction data presented earlier.

TABLE 7:
PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR

	Employment December 1986	Employment December 1985	Percent Change
Manufacturing	4,400	4,400	0
Services	6,440	7,150	-9.9
Trade	5,400	5,200	+3.8
Construction	600	580	+3.4
Government	6,200	5,200	+19.2

TABLE 8:
RETAILER CONFIDENCE IN STEVENS POINT-PLOVER AREA

	Index Value	
	December 1987	**September 1987**
Total Sales Compared to Previous Year	64	75
Store Traffic Compared to Previous Year	67	75
Expected Sales Three Months From Now	67	67
Expected Store Traffic Three Months From Now	64	71
100 = Substantially Better 50 = Same 0 = Substantially Worse		

TABLE 9:
HELP WANTED ADVERTISING IN PORTAGE COUNTY

	Index Value	
	1986	**1985**
Stevens Point (December) (1980 = 100)	131	84
U.S. (November) (1967 = 100)	146	144

TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN PORTAGE COUNTY

	1986 Fourth Quarter (Monthly Avg.)	1985 Fourth Quarter (Monthly Avg.)	Percent Change
New Applications	29	-	-
Total Caseload	61	-	-
* As of First Quarter 1986 Public Assistance Claims are being compiled on a county-wide basis			

TABLE 11:
UNEMPLOYMENT CLAIMS IN PORTAGE COUNTY

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
New Claims	-	-	-
Total Claims	2,595	2,481	+4.6

TABLE 12:
RESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA*

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
Residential Permits Issued	46	30	+53.3
Estimated Value of New Homes	$3,151.0 (thousands)	$2,547.0 (thousands)	+23.7
Number of Housing Units	58	59	-1.7
Residential Alteration Permits Issued	177	121	+46.3
Estimated Value of Alterations	$516.1 (thousands)	$426.4 (thousands)	+21.0
***Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.			

TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN STEVENS POINT-PLOVER AREA*

	1986 Fourth Quarter	1985 Fourth Quarter
Number of Permits Issued	6	9
Estimated Value of New Structures	$1,935.0 (thousands)	$331.7 (thousands)
Number of Business Alteration Permits	46	36
Estimated Value of Business Alterations	$599.1 (thousands)	$532.0 (thousands)
*Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.		

TABLE 14:
FINANCIAL STATISTICS FOR PORTAGE COUNTY

	1986 Fourth Quarter (Millions)	1985 Fourth Quarter (Millions)	Percent Change
Bank Deposits	$269.6	$257.2	+4.8
Bank Loans	$156.3	$146.1	+7.0

Wausau Area

The Wausau-Marathon County area demonstrated improved economic performance during the fourth quarter 1986. This growth, forecasted in the third quarter, can be attributed to the presence of a number of favorable variables. It is likely that this modest trend will continue into the first quarter of 1987. Evidence that the local economy has strengthened is as follows. The unemployment rate has decreased from last year. Total nonfarm employment has expanded by a moderate amount. The views of retailers remain in the "somewhat optimistic" range. The help wanted advertising index predicts some future gains in employment and data concerning unemployment claims are very encouraging. Moreover, healthy residential construction activity in the fourth quarter 1986 will cause a further expansion in the local economy. Lastly, financial statistics demonstrate and support the assertion that the local economy was in an expansive mode during the quarter.

Marathon County's nonfarm employment is displayed in Table 7. Manufacturing and trade posted the largest percentage gains of the past twelve months. In terms of the number of jobs created, manufacturing saw an increase of 300 and trade 400. Further, service sector employment rose by 200 from last year. Only the construction and government sectors experienced falling employment. In the case of construction, the number of workers was down by 100. In government, the contraction amounted to 300. Overall, employment in the nonfarm sectors grew by 500. This represents a slight increase of 1.8%. Thus, employment expansion continues to take place in Marathon County as forecasted by the CWERB.

The retailer confidence index in Table 8 exhibits the viewpoint of local merchants with regard to existing and expected business conditions. Reflecting the general economic pattern of the region, state, and nation, the opinions indicate that "somewhat better" economic conditions exist. Approximately the same level of confidence is expressed for activity six months from now. When contrasted with September's results, no general pattern is evident. Once again this supports the position that the economy will continue to expand, but at a less than spectacular rate.

To measure the strength of labor demand in the Wausau area, the CWERB utilizes a help wanted index (Table 9). The index for December shows a 40-point increase from fourth quarter 1985. Almost twice as many jobs were advertised in December 1986 as in the base quarter of December 1980. This leading economic indicator of future activity signals that job growth will continue in the near term. Thus, the index's improvement reinforces the results of third quarter 1986.

The information contained in Table 10 will be of more use in first quarter 1987. The method of compiling public assistance claims was changed in first quarter 1986 from a city to county-wide basis. Therefore, the numbers reported for fourth quarter 1986 may overstate the amount of family distress.

Table 11 supports the modest improvement forecasted in third quarter 1986. Furthermore, the unemployment claims figures for the Wausau area support the statement made earlier concerning the overstatement of public assistance claims. Initial unemployment claims declined by 649 from last year. Total claims fell by 2759 or 10.3%. These measures are even more impressive when one realizes that the average civilian labor force of fourth quarter 1986 was larger than that of fourth quarter 1985, by an average of 3866 per month.

The residential construction data of Table 12 indicates that the new housing and alteration permits have responded favorably to improved financing conditions. All categories experienced impressive growth when compared to fourth quarter 1985. This type of activity is a leading economic indicator. As the ripple effect caused by construction flows throughout the local economy, prospects for further improvement in employment and income levels in the county seem favorable.

Nonresidential construction, as presented in Table 13, was down from last year in the estimated value of new structures, number of business alteration permits, and estimated value of business alterations categories. Only the number of permits registered showed an increase from fourth quarter 1985. It should be noted that nonresidential construction figures can be dominated by a single project, unlike residential construction which is spread out over a relatively larger base. This may result in a wide variation in the estimated value of projects from one period to the next while the number of permits remains essentially unchanged.

Financial statistics for Wausau are listed in Table 14. Bank deposits expanded at a very healthy 21.1% from fourth quarter 1985. Bank loans also showed strength by posting over a 21 % increase. The loan activity is even greater than reported. Specifically, the loan figure does not include data concerning the reselling of loans in the after market. Moreover, lending activity supports the contention that fourth quarter 1986 was a strong period for the residential housing market.

TABLE 7:
MARATHON COUNTY EMPLOYMENT CHANGE BY SECTOR

	Employment December 1986 (Thousands)	Employment December 1985 (Thousands)	Percent Change
Manufacturing	11.3	11.0	+2.7
Services	13.6	13.4	+1.5
Trade	11.0	10.6	+3.8
Construction	1.3	1.4	-7.1
Government	6.0	6.3	-4.8

TABLE 8:
RETAILER CONFIDENCE IN WAUSAU

	Index Value	
	December 1986	**September 1986**
Total Sales Compared to Previous Year	69	66
Store Traffic Compared to Previous Year	64	63
Expected Sales Three Months From Now	64	66
Expected Store Traffic Three Months From Now	63	59
100 = Substantially Better 50 = Same 0 = Substantially Worse		

TABLE 9:
HELP WANTED ADVERTISING IN WAUSAU

	Index Value	
	1986	**1985**
Wausau (December) (1980 = 100)	193	153
U.S. (November) (1967 = 100)	146	144

TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN MARATHON COUNTY

	1986 Fourth Quarter (Monthly Avg.)	1985 Fourth Quarter (Monthly Avg.)	Percent Change
New Applications	53	30	+76.7
Total Caseload	259	180	+43.9
* As of First Quarter 1986 Public Assistance Claims are being compiled on a county-wide basis			

TABLE 11:
UNEMPLOYMENT CLAIMS IN WAUSAU *

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
New Claims	5,040	5,689	-11.4
Total Claims	24,012	26,771	-10.3
* Includes Medford Area.			

TABLE 12:
RESIDENTIAL CONSTRUCTION IN WAUSAU AREA

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
Residential Permits Issued	30	26	+15.4
Estimated Value of New Homes	$2,498.0 (thousands)	$1,369.9 (thousands)	+82.3
Number of Housing Units	37	33	+12.1
Residential Alteration Permits Issued	81	62	+30.6
Estimated Value of Alterations	$282.2 (thousands)	$226.7 (thousands)	+24.5

TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN WAUSAU AREA

	1986 Fourth Quarter	1985 Fourth Quarter
Number of Permits Issued	13	11
Estimated Value of New Structures	$483.2 (thousands)	$3,856.5 (thousands)
Number of Business Alteration Permits	23	25
Estimated Value of Business Alterations	$191.0 (thousands)	$341.6 (thousands)

TABLE 14:
FINANCIAL STATISTICS FOR MARATHON COUNTY

	1986 Fourth Quarter (Millions)	1985 Fourth Quarter (Millions)	Percent Change
Bank Deposits	$588.6	$489.9	+21.1
Bank Loans	$414.6	$341.4	+21.4

Marshfield Area

Overall, fourth quarter 1986 economic performance for the Marshfield-Wood County area was strong. The expansion in activity, forecasted by the CWERB in third quarter, was due to a number of favorable indicators. The following data substantiate the claim of robust activity in the fourth quarter. The Wood County area saw a marked improvement in the unemployment rate and total employment increased by 2100 positions or 6.6070 over last year. Positive performance was recorded for all nonfarm industrial sectors. The Marshfield employment index rose by an impressive 7.5% from a year ago. Retailers indicated that business had increased noticeably compared to last year. Public assistance and unemployment claims were lower. Finally, financial statistics and residential construction were indicative of an expanding local economy.

Wood County employment by sector is presented in Table 7. For the third consecutive quarter, manufacturing payrolls have expanded. Specifically an increase of 300 jobs was recorded in the fourth quarter. Service employment in Wood County has also risen during the past four quarters. A 3.0% change was registered in fourth quarter 1986. More good news came from the trade sector. After a weak first half of the year, the last two quarters have been characterized by robust growth. An increase of 1100 positions or a 14.9% growth rate was recorded in fourth quarter 1986. Moreover, construction and government employment contributed to the overall strong performance in the local job market. In summary, nonfarm employment expanded at a very healthy pace of 6.5% or 2070 jobs since last year. Thus, the favorable variables mentioned in third quarter 1986 appear to have had a positive impact on the local level.

To approximate the share of county-wide employment that is attributable to Marshfield, an employment index is used. The index, which uses 1980 Census data, shows that Marshfield has experienced an improvement in employment of approximately 7.5% from fourth quarter 1985. This is the second quarter that substantial improvement has taken place.

Table 8 presents retailer confidence levels for Marshfield. When asked about total sales and store traffic compared to the previous year, the retailers responded favorably. The index levels for these questions can be interpreted as indicating "somewhat improved" conditions during the past quarter. Less optimisim is recorded for the questions pertaining to expected sales and store traffic three months from. !low. However, the response levels are still mildly optimistic even though they are below last quarter's results.

The help wanted index is given in Table 9. The index is used to forecast job growth. Second and third quarter index levels were substantially above those of last year. For fourth quarter 1986 the index stands at approximately the same level as last year. The index conveys that 39% more jobs were advertised in December 1986 than in December of the base year 1980. Local payrolls should expand in first quarter 1987 but not at the rate experienced in third or fourth quarters 1986.

Public assistance claims in Marshfield are displayed in Table 10. This statistic measures local family distress. The results indicate that matters are improved over last year. As can be seen, caseloads were down by 4.9%. Moreover, initial applications were down by 8%. This item substantiates the improvement forecasted for fourth quarter in the last Economic Indicators Report.

More encouraging information is presented in Table 11. Continuing a trend started earlier this year, unemployment claims are significantly down from last year. New claims have shrunk by 6.6070 and total claims are down by 13.4070. This evidence complements the data presented earlier concerning employment increases. For the five county area this means that a real and substantial improvement has taken place from a year ago.

Residential construction in the Marshfield area has responded to lower interest rates in fourth quarter 1986 (Table 12). Residential permits, estimated value of new homes, and number of housing units are improved over the totals of fourth quarter of 1985. This bodes well for the local economy as construction activity is a leading indicator of future income and employment changes. It should be noted that alteration permits and associated values are down from last year. However, the results for third quarter were very strong. This may indicate that activity usually taking place in fourth quarter occurred one quarter earlier.

Nonresidential construction slowed during fourth quarter when contrasted with last year (Table 13). This is the second consecutive quarter that nonresidential has not kept pace with last year, i.e. 1985. Nonresidential construction is less interest rate sensitive than residential construction. but since nonresidential construction projects tend to be large singular events, it is not surprising that substantial changes appear in this category from quarter to quarter.

Financial statistics for the greater Marshfield area are listed in Table 14. Bank deposits are up by 8.3070 or approximately $16 million. Moreover, bank loans have increased by 4.0070 or $4.6 million over the level attained last year. These statistics indicate that the local economy was able to save more than last year. The increase in bank loans reflects the growth in the local economy. This is consistent with data presented earlier and with activity in the local housing market.

TABLE 7:
WOOD COUNTY EMPLOYMENT CHANGE BY SECTOR

	Employment December 1986	Employment December 1985	Percent Change
Manufacturing	9,900	9,600	+3.1
Services	10,580	10,270	+3.0
Trade	8,500	7,400	+14.9
Construction	740	680	+8.8
Government	4,300	4,000	+7.5
Marshfield Employment Index	115	107	+7.5

TABLE 8:
RETAILER CONFIDENCE IN MARSHFIELD*

	Index Value	
	December 1987	September 1987
Total Sales Compared to Previous Year	67	62
Store Traffic Compared to Previous Year	65	63
Expected Sales Three Months From Now	60	68
Expected Store Traffic Three Months From Now	59	67
100 = Substantially Better 50 = Same 0 = Substantially Worse *Data collected by UW Marshfield-Wood County		

TABLE 9:
HELP WANTED ADVERTISING IN MARSHFIELD

	Index Value	
	1986	**1985**
Marshfield (December) (1980 = 100)	139	138
U.S. (November) (1967 = 100)	146	144

TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN WOOD COUNTY

	1986 Fourth Quarter (Monthly Avg.)	**1985 Fourth Quarter (Monthly Avg.)**	**Percent Change**
New Applications	33	41	-19.5
Total Caseload	753	792	-4.9
* As of First Quarter 1986 Public Assistance Claims are being compiled on a county-wide basis			

TABLE 11:
UNEMPLOYMENT CLAIMS IN WOOD COUNTY

	1986 Fourth Quarter	**1985 Fourth Quarter**	**Percent Change**
New Claims	3,695	3,956	-6.6
Total Claims	8,001	9,242	-13.4

TABLE 12:
RESIDENTIAL CONSTRUCTION IN MARSHFIELD AREA*

	1986 Fourth Quarter	1985 Fourth Quarter	Percent Change
Residential Permits Issued	15	11	+36.4
Estimated Value of New Homes	$1,041.5 (thousands)	$645.1 (thousands)	+61.4
Number of Housing Units	16	13	+23.1
Residential Alteration Permits Issued	55	64	-14.1
Estimated Value of Alterations	$165.2 (thousands)	$258.0 (thousands)	+40.0
*Data collected by UW Marshfield-Wood County			

TABLE 13:
NONRESIDENTIAL CONSTRUCTION IN MARSHFIELD AREA*

	1986 Fourth Quarter	1985 Fourth Quarter
Number of Permits Issued	1	3
Estimated Value of New Structures	$100.0 (thousands)	$205.0 (thousands)
Number of Business Alteration Permits	11	35
Estimated Value of Business Alterations	$863.0 (thousands)	$866.7 (thousands)
*Data collected by UW Marshfield-Wood County		

TABLE 14:
FINANCIAL STATISTICS FOR MARSHFIELD*

	1986 Fourth Quarter (Millions)	1985 Fourth Quarter (Millions)	Percent Change
Bank Deposits	$206.4	$190.6	+8.3
Bank Loans	$118.8	$114.2	+4.0
*Data collected by UW Marshfield-Wood County			

Outlook

Major economic forecasting groups are indicating that the U.S. economy will expand in real terms at about 3070 during 1987. The unemployment rate for the nation should remain in the 6.5% to 7% range. Moreover, the country will see an increase in inflation (about 3% to 4% per year) as energy costs and a rapidly expanding monetary base place upward pressure on prices. The present expansion has been shouldered by consumer spending which comprises approximately two-thirds of Gross National Product. Evidence suggests that consumer debt, as a percent of disposable income, is at historically high levels. Therefore only modest expansionary impetus is seen to be forthcoming from the household sector in 1987.

The impending tax change gave a boost to fourth quarter activity, i.e. the rush to take advantage of the old laws. The new tax laws in first quarter of 1987 will give some added disposable income to consumers.

The sharply declining dollar provides American business the opportunity to be more competitive domestically and internationally. This factor must at some point in time contribute to economic growth, all other variables being held constant.

Central Wisconsin will benefit from a declining dollar, and a firming up of farm prices. However, the state and the region along with Michigan, Indiana, and Ohio, are expected to have growth rates below the national average. These areas are experiencing slow economic growth primarily because their economic structures are based upon trade sensitive industries and agriculture. Central Wisconsin and the state will not see above average growth rates until these problems are resolved or until the fundamental structures of their economies are transformed. In conclusion, Central Wisconsin can expect steady but modest improvement in economic conditions during the first part of the new year.

Many New Jobs...Small Business in Central Wisconsin

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Wisconsin, one of five upper Midwest states in the Seventh Federal Reserve District, has had major job losses in the manufacturing sector during the past several decades. In the Seventh District, comprised of Illinois, Indiana, Iowa, Michigan and Wisconsin, one of the bright spots in employment is the new jobs generated in the small business sector.

The Chicago Federal Reserve Economic Perspectives (in Nov.-Dec. 1986) reported on a national study prepared at the Massachusetts Institute of Technology (David Birch, 1979). Some startling results regarding the job generation power of small business were:

- Most of the **variation in job growth** among states and areas is due to the rate of job generation (i.e., new firms or expansions of existing firms) not to the rates of job loss (i.e., failures and contractions).
- Virtually no firms physically **migrate** from one geographical area, particularly interstate. However, branching is quite important, particularly in manufacturing. Differential branching, not physical migration, results in many of the regional differences in job growth.
- The **components of job change** are sensitive to business and economic cycles. In most states, start-ups and expansions of firms were fewer, while contractions and loss of firms are more numerous during an economic downturn than during a upturn.
- In the early to mid 1970s, the regional jobs generated by very small business vary. Small firms generated all the net new jobs in the Northeast, 67 percent in the Midwest, 60 percent in the West and 54 percent in the South. Birch concludes that: "The job generating firms tend to be small. . . dynamic (or unstable, depending on your viewpoint) -- the kind of firm that banks tend to feel very uncomfortable about."
- In this study, small firms were defined as those with twenty or fewer employees and which generated 66 percent of all new jobs in the early seventies. Middle sized and larger firms, on balance, provided few new jobs in relation to their size.

Many of these Birch study findings apply to Wisconsin. Birch, in a subsequent research on job generation in Wisconsin, found that firms with 20 employees or less dominated the state's job generation process between 1969 and 1981. (Source: Dun and Bradstreet, 1969-1976.) Complete annual Wisconsin unemployment data were also analyzed for the 1977 to 1981 period. For the state of Wisconsin level, Birch found the following:

- From 1969 to 1979, very small businesses created more than twice as many net new jobs as their share of total employment might predict, usually more than all other businesses combined.

- Only the very small businesses (20 or less employees) generated more jobs than they lost during the recession period of 1979-1981 and very small businesses created the net new jobs in all industry groups, including manufacturing, even though these very small businesses have a smaller share of the total employment.
- The 1979 to 1981 recession period, very small manufacturers continued to add more jobs than they lost. This was in strong contrast to the larger manufacturers.
- New business start-ups were the most important factor in explaining the ability of very small businesses to generate the most new jobs, even during **economic expansions** and recessions. In addition, very small businesses tend to expand and grow as their markets and product lines expand.
- The job creation rate of very small businesses through both creations or expansions is considerably higher than that of larger firms and more than offsets the job loss rates which are slightly higher than those of larger firms.
- Employment change for larger firms is more sensitive to recession. The relative fall in shares of employment at expanding firms and the rise in shares at contracting firms are greater for larger firms than for the very small business.
- The services sector, among the major industrial sectors, is found to be consistent and somewhat countercyclical source of net new jobs. On the other hand, the manufacturing sector is more sensitive to changes in the business cycle and a very cyclical job generator. The high technology sector is small and not a consistent source of new jobs.

Wisconsin, in 1983, was second among the five Federal Reserve District states in the percentage of employment accounted for by very small businesses. Iowa had 35% employed in very small business, while Wisconsin had 28.2%. The overall Seventh District average was 26.7%.

The data reported in the Appendix were compiled by the UW -Stevens Point Central Wisconsin Business Development Center from 1983-1984 County Business Pattern Data prepared by the U.S. Census Bureau. County Business Patterns excluded government employees, railroad employees and self employed persons.

The importance of the very small business to Central Wisconsin, Marathon, Portage and Wood counties as a source of employment is shown in Figure 1. Very small business (VSB) in Wisconsin employed 28.2% of the employment total for 1983. During the same period, VSB accounted for 30.7% of employment in Central Wisconsin. The following are individual county's percent of employment by VSB for1983 and 1984.

SMALL BUSINESS EMPLOYMENT

(percent of total)

COUNTY	1983	1984	CHANGE
Marathon	34.0	32.7	-1.3
Portage	28.8	30.1	+ 1.3
Wood	27.8	28.2	+0.4
Central Wisconsin	30.7	30.6	-0.1

The economic recovery intensified in 1984. In Marathon County the employment impact of small business decreased. At the same time, there was a substantial increase in the jobs created by larger business. Overall, there were more jobs in the county. The source of jobs changed due to the cyclical increase in the manufacturing sector which tends to be dominated by larger organizations.

The percent of employment by VSB using Standard Industrial Classification (SIC) during 1983 is shown in Appendix Figure 2 for the United States, the Seventh Federal Reserve District and for Wisconsin. Comparable data were not available for 1984.

The employment profile of Wisconsin, as opposed to the Seventh Federal Reserve District and the United States in general, presents an interesting picture of the impact that VSB has on our state. This figure graphically compares the profiles of each of these areas by industry type. The table below summarizes the comparative data.

Percent of Employment By Small Firms

INDUSTRY	U.S.	7TH Dist.	Wisconsin
Agriculture	60	73	71
Mining	18	22	62
Construction	42	52	58
Manufacturing	14	11	9
Transportation	20	24	23
Wholesale	47	49	45
Retail	49	45	42
Finance	38	36	29
Services	39	38	30

Appendix Figure 3.1 summarizes the number of small business establishments in Central Wisconsin by SIC. The data gives us an inventory of small business in the region. Government and self employed persons are not included; agricultural organizations are only those who provide services and products related to agriculture.

The differences in the number of establishments between 1983 and 1984 are clear. Between 1983 and 1984 there have been declines in the number of establishments in both the manufacturing and retail sectors. Conversely, there have been increases in agriculture, mining, construction, transportation, finance and services. Wholesale trade has remained relatively constant.

Appendix Figures 3.2, 3.3 and 3.4 graphically represent the number of small business establishments present in Marathon, Wood and Portage counties during 1983 and 1984. These figures demonstrate the changes that have occurred between the two years in each county while Figure 3.1 demonstrates regional shifts.

The contrast between the three major counties of this region in regard to their mix of small businesses merits further study.

Appendix Figure 4.1 profiles for 1983 the percent of small business employment for the three counties of Central Wisconsin. There is a major difference in the counties in nearly every major SIC. For instance, both Marathon and Portage have mining, e.g., stone quarries or gravel operations, but none are found in Wood. For construction, nearly all the firms in Portage and Wood counties have twenty or less employees, while in Marathon only 65 percent of the construction jobs are accounted for by the very small companies. Ten percent or less of the manufacturing jobs are accounted for by small business in each of the counties. For the finance area which includes banking and insurance, more than 70 percent of the jobs in Wood County are provided by small business; while in Marathon County, less than 20 percent are from small business; and in Portage County, less than 10 percent are provided by small firms.

Appendix Figure 4.2 provides similar data for the three counties in 1984. There are some subtle changes from 1983 to 1984. Small manufacturing firms in all counties have fallen more than one percent in absolute value in just one year. Wholesale trade has been reduced in Marathon County in terms of the small business contribution to the job creation process. In Wood County, the finance sector has significantly reduced its small business employment percentage. In all three counties, the service sector continues to show growth as a source of jobs.

Appendix Figure 5 presents one of the most intriguing areas for future study Central Wisconsin changes in employment by firm size. Information of four sizes of firms is presented by county. In Wood County, there is a significant drop in employment in large firms. This drop is so drastic that there is a negative impact on Central Wisconsin overall. In other categories of firms there has been measurable employment growth in each county. Marathon had the lowest growth in the firms, with 1 to 19 employees, the highest growth in firms of 20 to 99, and the lowest growth in the area of firms employing 100 to 499. Recall, however, that a percent change Marathon County employment change is significantly larger than the same percent for Portage or Wood County work force changes.

Summary and Conclusions

This paper demonstrates small business has a significant impact on the job picture in both Wisconsin and Central Wisconsin. In the future, it should be possible to combine County Business Pattern Data with Central Wisconsin Bureau of Economic Research information to develop a dynamic data base which will become a credible regional resource for the further study of small business. From this report we conclude that, on the whole, small business in Wisconsin and Central Wisconsin is more important as a source of new employment than at the national or regional level. The variances that the report highlights require further study so we can better consider the consequences for small business in our region.

We have observed that small business growth has occurred in almost all major classifications from the years 1983-1984. In addition we have noted those specific industries where small business accounts for virtually all of the employment. Those businesses that account for more than half of the employment in their classification require additional assistance and advocacy to remain viable.

Our findings indicate a greater awareness is needed at the local, state, and regional levels to meet the needs of small business. A more efficient service and support network needs to be established to assure continued growth and development of this important source of economic development.

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Authors

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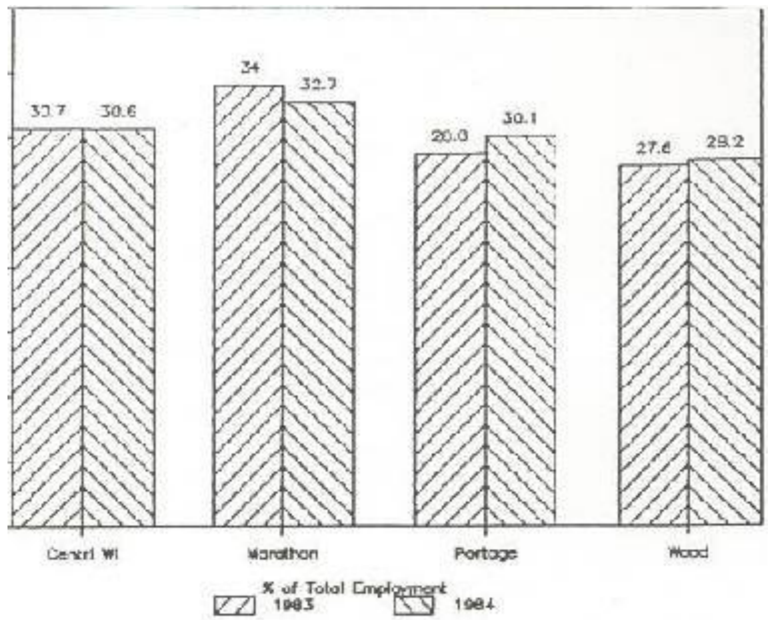
Figure 1
Small Business Employment
1983-1984



Sources: U.S. Census Bureau County Business Patterns 1983 1984

FIGURE 2

Small Business Employment 1983

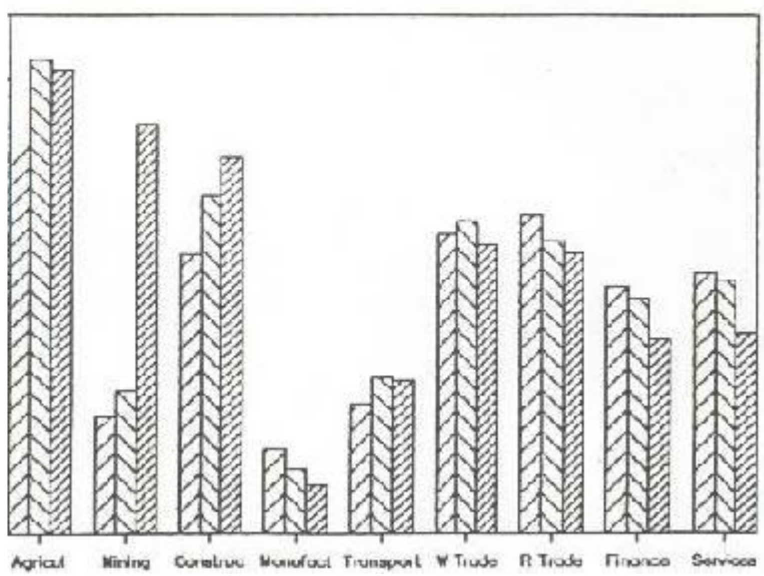


Figure 3.1

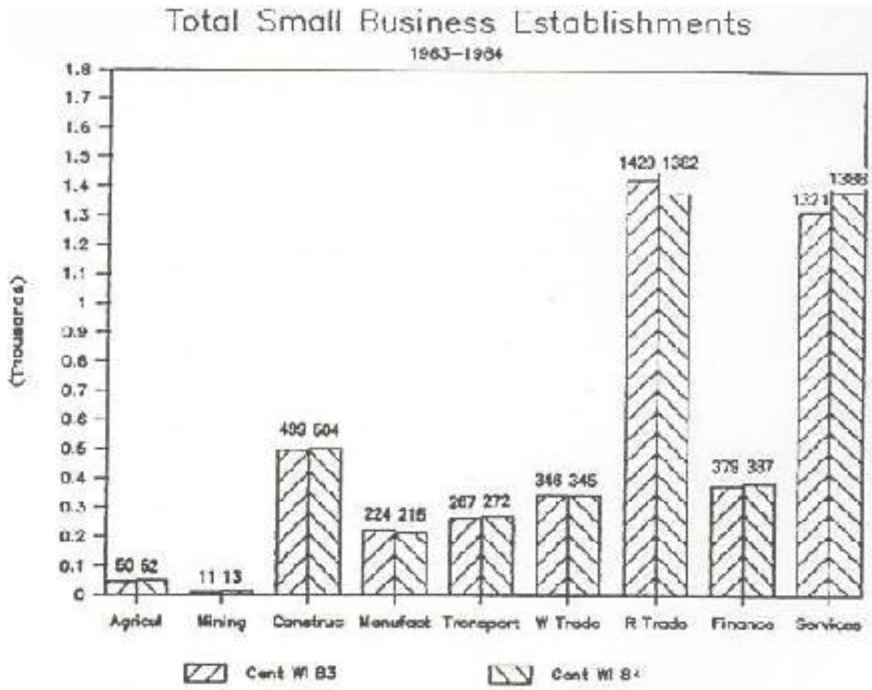


FIGURE 3.2

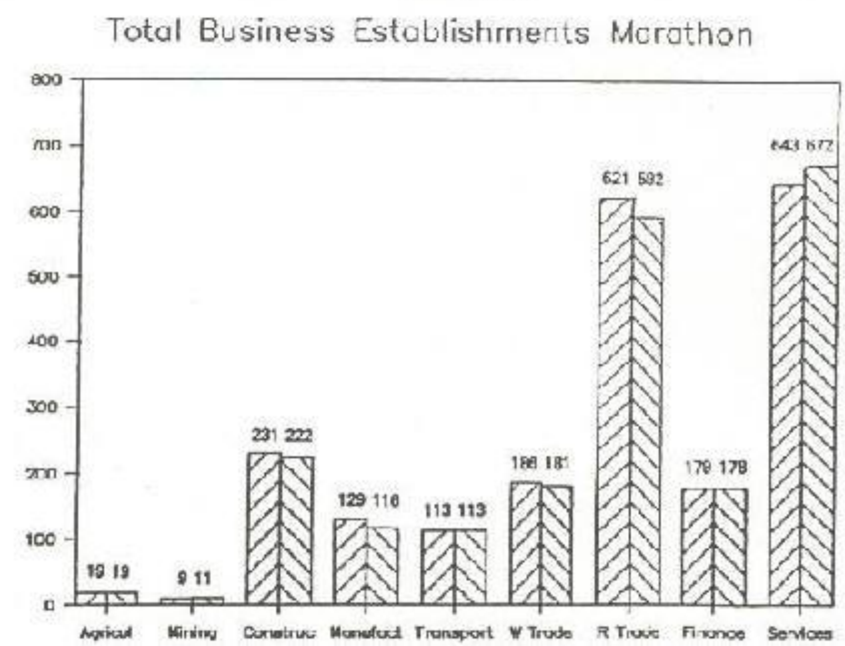


Figure 3.3
Total Business Establishments Portage

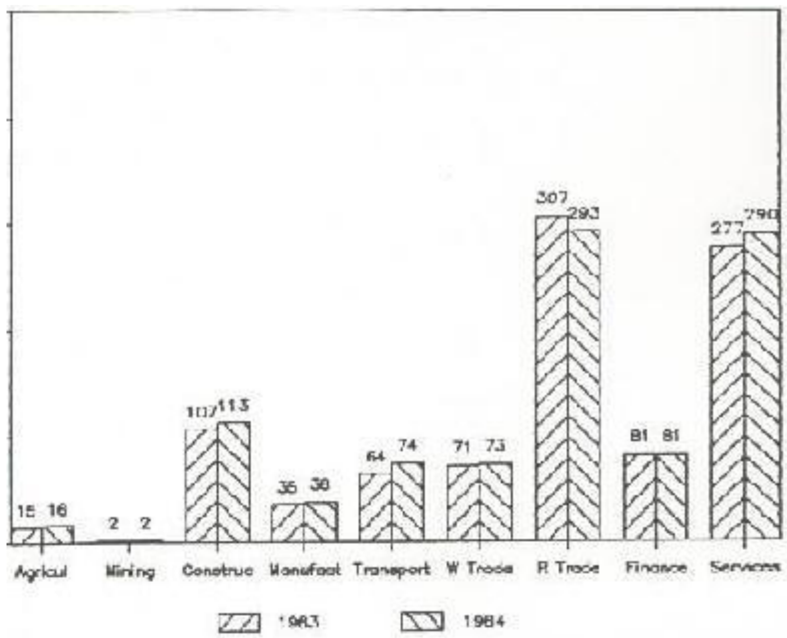


FIGURE 3.4

Total Business Establishments Wooc

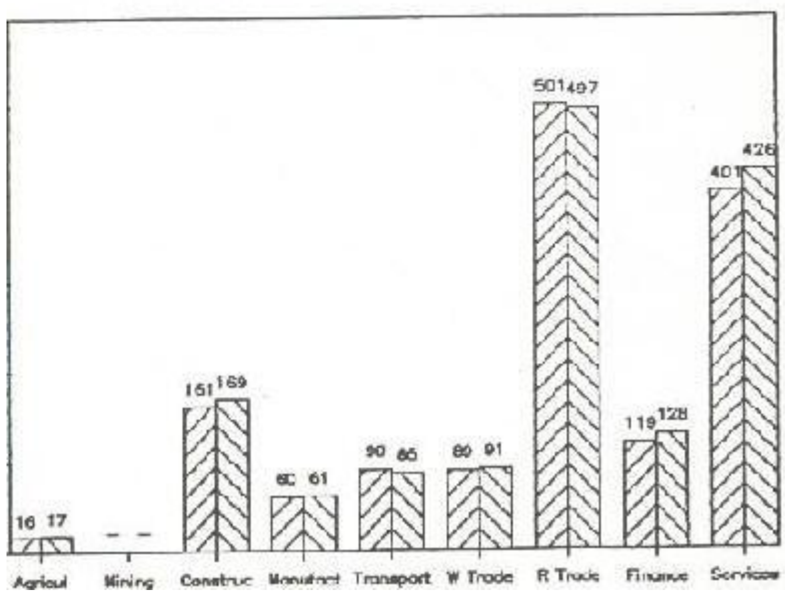
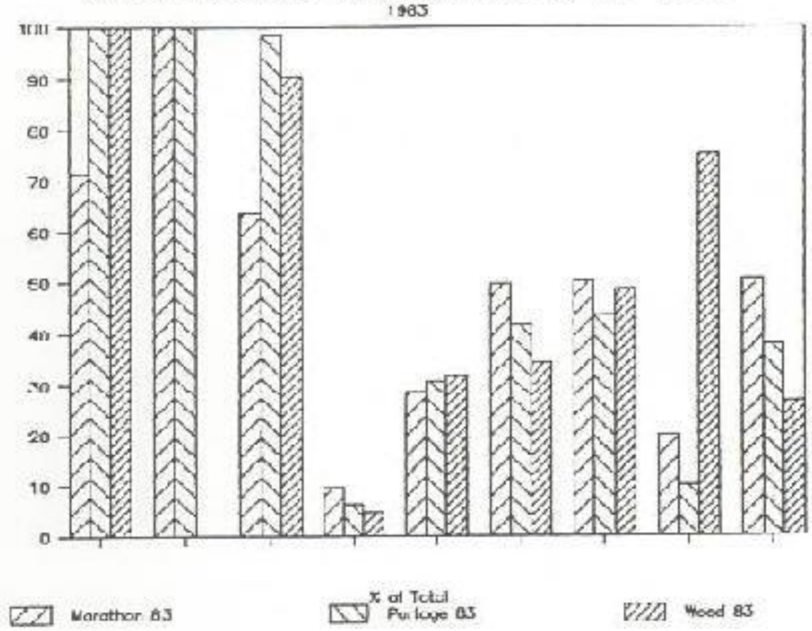


FIGURE 4.1

Small Business Employment by SIC Code

1983



Sources: U.S. Census Bureau County Business Patterns 1983-1984

FIGURE 4.2

Small Business Employment by SIC Code

1984

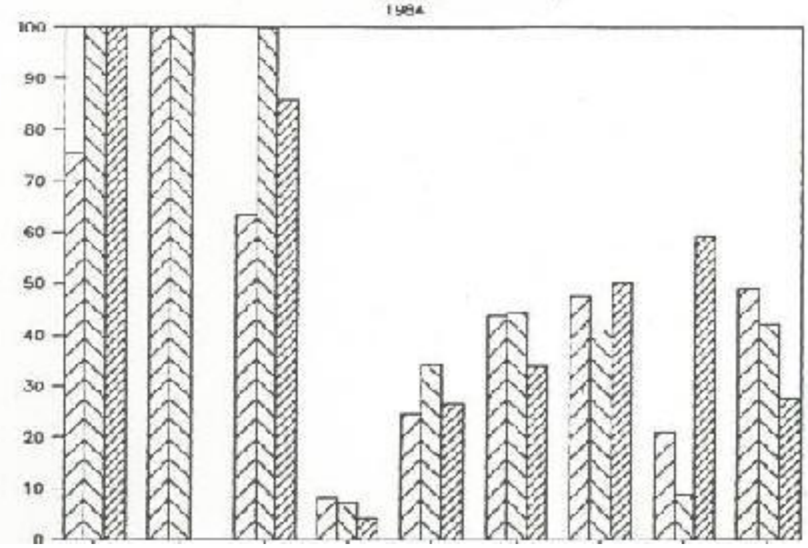
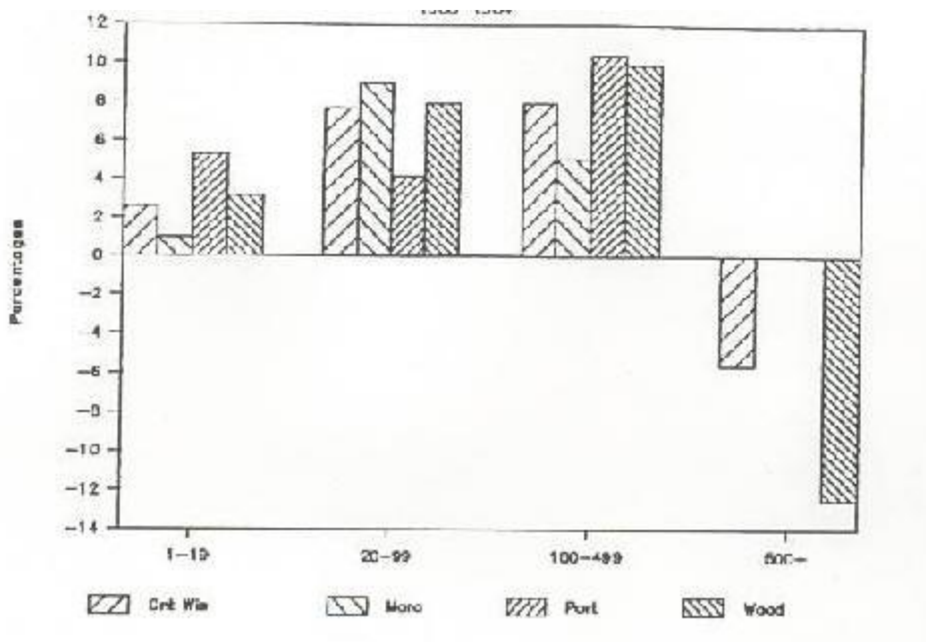


Figure 5
Employment Change By Firm Size
1983-1984


Percentages
12
10
8
6
4
2
0
-2
-4
-6
-8
-10
-12
-14
1-19
20-99
100-499
500-
Cnt Wis
Worc
Port
Wood