STEVENS POINT AREA
2004
ECONOMIC INDICATORS

3rd Quarter 2004
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Special Report: The University and the Greater Community
Chancellor Linda Bunnell, Ph.D. – University of Wisconsin – Stevens Point

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National and Regional Outlook

Gross domestic product expanded at a rate of 3.7 percent during the July to September time frame. Even though the mark was lower than what some had forecasted, the rate of expansion was very respectable. The expansion in GDP is important because it measures the dollar value of all final goods and services produced by the nation. Moreover, with a few accounting adjustments, it represents the amount of national income generated by our country. Thus, it is a very important measure of economic performance. For the record, real GDP for the United States expanded by 3.9 percent from third quarter 2003 to third quarter 2004, and now stands at $10.9 trillion.

GDP, while a very useful and important measure, is not the only measure of how an economy is performing. Employment of course is an extremely important gauge of activity. Job generation in September was around 139,000 positions. This number was lower than the consensus forecast of 150,000 jobs. Further, the August job figure was about 130,000. The employment numbers are always subject to revision. It is not at all uncommon for there to be some rather large adjustments to the numbers once additional data are made available. For example, the period from April 2003 to March 2004 saw the employment numbers revised upwards by about 250,000 jobs. The very latest job report shows that fourth quarter 2004 has gotten off to a great start. Preliminary estimates indicate that U.S. employers added 337,000 net jobs in October. This figure is well above estimates and bodes well for the nation. To place matters in perspective, it takes about 150,000 net new jobs per month to keep pace with the nations expanding population and labor force. The unemployment rate can therefore only remain constant if it generates about 150,000 jobs per month, or failing that have a large number of discouraged workers drop out of the labor force. This of course does not touch upon the issue of the quality of jobs being created. That discussion is well beyond the scope of this short piece.

Another measure of economic performance is price level stability. Over the third quarter to third quarter time frame, the Consumer Price Index rose by an estimated 2.5 percent. More recently consumer prices rose by 0.2 percent in September. Thus, it appears that this overall measure of inflation is manageable. However, there are areas of concern. Energy prices have taken a bite out of consumer wallets. Political events in Iraq, Nigeria, and Venezuela have raised concerns about supply of oil and its price. Further, the hurricanes that hit the Gulf coast area did some damage to offshore capabilities. Moreover, the rapidly growing world economy is hitting the demand side of the market. The good news is that the U.S. economy is much less oil dependant than it was in the 1970s. Some estimate that due to increased energy efficiency, and the growth of the less energy intensive services sector, the impact of oil prices is about half of what it was in the 1970s. Some analysts suggest that oil would have to rise to the $75 to $100 a barrel range before the country would be pushed into recession.

Looking to the future, our central bank, the Federal Reserve, believes that the economy will continue to expand at a moderate pace for the next several quarters; consumer sentiment, while declining, remains at a decent level; retail sales growth continues to be on a modest upward track; inflation remains contained; and business investment shows signs of picking up. In sum, it appears that the economy will continue to expand the amount of goods and services at a decent pace. Lastly, the economy will generate new jobs at a somewhat faster pace than it did during the past several years.

TABLE 1:
NATIONAL ECONOMIC STATISTICS

	2003 Third Quarter	2004 Third Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	$11,116.7	$11,803.5	+6.2
Real Gross Domestic Product (Billions of 1996 $)	$10,472.8	$10,883.4	+3.9
Industrial Production (1997 = 100)	112.1	116.7	+4.1
Three Month U.S.Treasury Bill Rate	0.94%	1.71%	+81.9
Consumer Price Index (1982-84 = 100)	185.2	189.9	+2.5

Central Wisconsin

To summarize economic conditions in the region, please consider the following. The seasonally unadjusted unemployment rate in central Wisconsin declined to 3.6 percent over the year. Total employment based on a survey of households grew by 0.8 percent in the region. Industrial sector employment, based on a survey of employers is estimated to have expanded by 0.5 percent. In addition county sales tax data rose by 5.5 and 10.7 percent in Portage and Marathon counties, respectively. Lastly, regional business leaders are moderately optimistic about economic conditions.

The unemployment rates for all reporting areas fell from last year's marks. The unemployment rates in Marathon, Portage, and Wood counties declined to 3.2, 3.5, and 4.3 percent respectively. The labor force weighted unemployment rate for central Wisconsin tumbled from 3.9 to 3.6 percent over the past twelve months. The state and nation also registered nice declines in their unemployment rates shrinking to 4.1 and 5.1 respectively.

Total employment estimates are based on a survey of households. The employment levels in Marathon, Portage, and Wood counties changed respectively by 0.7, 0.8, and 0.0 percent over the year. This results in a 0.5 percent gain in employment for central Wisconsin as whole. Thus a very modest degree of expansion took place in the area's employment. Wisconsin and the nation expanded more quickly growing by 1.5 and 1.4 percent.

Table 4 gives industrial sector employment estimates, which are generated from business payroll data. Total nonfarm employment expanded by 0.5 percent over the course of the year. Employment rose from an estimated 149.1 to 149.8 thousand. Sectors that experienced expanding employment include construction and natural resources, transportation and utilities, education and health services, leisure and hospitality, and information and business services. Declining sectoral employment was reported for manufacturing, trade, financial activities, and government.

County sales tax distributions are given in Table 5. Portage county sales tax collections grew from $1.18 to $1.25 million or 5.5 percent over the year. Likewise, Marathon county retail activity expanded from $2.55 to $2.82 million or by 10.7 percent. Both measures suggest that consumers are continuing to bolster the economy with their spending.

The CWERB's sample of local business leaders in central Wisconsin suggest that the business community believes that modest improvement has taken place in the national economy, and local area. Generally speaking they are more upbeat about these matters than in June. When asked about the future direction for the national economy, local economy, and their industry the consensus was that we should see a slight improvement in economic conditions. Even though this group is moderately optimistic about the future levels of activity, sentiment is generally lower than what it was in June.

TABLE 2:
UNEMPLOYMENT IN CENTRAL WISCONSIN

	Unemployment Rate September 2003	Unemployment Rate September 2004	Percent Change
Portage	3.5%	3.5%	-0.9
Marathon	3.6%	3.2%	-9.8
Wood	4.7%	4.3%	-8.6
Central Wisconsin	3.9%	3.6%	-7.7
Wisconsin	4.7%	4.1%	-12.9
United States	5.8%	5.1%	-11.2

TABLE 3:
EMPLOYMENT IN CENTRAL WISCONSIN

	Total Employment September 2003 (Thousands)	Total Employment September 2004 (Thousands)	Percent Change
Portage	38.8	39.1	+0.8
Marathon	74.9	75.4	+0.7
Wood	39.4	39.4	+0.0
Central Wisconsin	153.1	153.9	+0.5
Wisconsin	2,929.8	2,973.3	+1.5
United States	137,730	139,641	+1.4

TABLE 4:
CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR

.	Employment September 2003 (Thousands)	Employment September 2004 (Thousands)	Percent Change
Total Nonfarm	149.1	149.8	+0.5
Total Private	130.3	131.4	+0.8
Construction & Natural Resources	5.9	6.0	+1.7
Manufacturing	31.4	31.1	-1.0
Trade	25.8	25.5	-1.2
Transportation & Utilities	8.0	8.2	+2.5
Financial Activities	10.2	10.1	-1.0
Education & Health Services	21.5	22.0	+2.3
Leisure & Hospitality	11.4	11.7	+2.6
Information & Business Services	16.2	16.7	+3.1
Total Government	18.8	18.5	-1.6

TABLE 5:
COUNTY SALES TAX DISTRIBUTION

	2003 Sales Tax Third Quarter (Thousands)	2004 Sales Tax Third Quarter (Thousands)	Percent Change
Portage County	$1,182.3	$1,247.9	+5.5
Marathon County	$2,550.2	$2,824.2	+10.7
Wood County	NA	$1,220.7	NA

TABLE 6:
BUSINESS CONFIDENCE IN CENTRAL WISCONSIN

	Index Value	
	June 2004	**September 2004**
Recent Change in National Economic Conditions	57	60
Recent Change in Local Economic Conditions	52	58
Expected Change in National Economic Conditions	65	65
Expected Change in Local Economic Conditions	62	57
Expected Change in Industry Conditions	62	60

100 = Substantially Better 50 = Same 0 = Substantially Worse

The Greater Stevens Point – Plover Area

The economic indicators for the local area are as follows. The unemployment rate is at a very low 3.5 percent, and total employment inched higher growing by 0.8 percent over the year. Industrial sector employment gained about 0.6 percent over the same period. Retailers in the local area are modestly optimistic, but not as much as they were in June. Help wanted advertising is off the pace of a year ago. Public assistance claims are generally higher this year and unemployment claims are little changed from third quarter 2003. Lastly, construction activity is off the robust pace of 2003.

Employment figures generated from business payroll data suggest that total nonfarm employment in Portage county grew by a modest 0.6 percent over the past twelve months. Sectors experiencing growth over the year were construction and natural resources, trade, education and health services, and leisure and hospitality. On the negative side manufacturing, and government payrolls are estimated to have contracted from last year's levels of employment. Lastly the sectors that appear to have had no change in their payrolls numbers were transportation and utilities, financial activities, and information and business services.

The CWERB retailer confidence survey suggests that local merchants are generally less confident than in June about retail activity in the area. However, the survey group remains moderately optimistic in their assessment of future sales growth and store traffic. Similarly, when asked bout expected store sales and traffic during the Christmas selling season, they felt that matters would be slightly better than the year before.

Help wanted advertising for the local are and nation is presented in Table 9. The index mark of 84 for the great Stevens Point-Plover Area means there are 0.84 jobs being advertised in 2004 for each job in the base year. Likewise the national index of 34 indicates there are only .34 jobs being advertised for each job in its base year. Both indices suggest that job growth will be sluggish in the months ahead. Further, even though internet advertising has become much more of a factor, the index remains a good barometer of labor market conditions.

Measures of local family financial distress are given in Tables 10 and 11. New public assistance claims on a monthly average basis rose from 206 to 226 or by 9.6 percent from last year. The total caseload increased from 3,664 to 4,445 or by 21.3 percent from a year ago. Another measure to consider are the unemployment claim figures. New claims on a weekly average basis stayed at about the same level as a year ago, 158 in 2003 and 159 in 2004. Meanwhile, the number of total claims contracted form 1,241 to 1,072 or by 13.6 percent.

Residential construction fell from the blistering pace of established in 2003. The number of new permits declined from 72 to 50 and the estimated value of the activity declined from $14.4 million to $9.1 million over the year. The number of new housing units likewise declined from 112 to 54. However, there was a slight up tick in the number of residential alteration permits issued, rising from 262 to 287. The associated value of the alteration activity contracted from $1.9 million to $1.8 million since third quarter 2003.

Table 13 gives the nonresidential construction figures for the area. The number of permits issued during third quarter was 9 and they were valued at $4.8 million. Business alteration activity resulted in 51 permits being issued. The value of the activity was $4.0 million. As usual no percentage changes are given for nonresidential construction activity because it tends to be very volatile from period to period. In other words business projects tend to be very large singular events and as a result the figures can fluctuate dramatically form period to period.

TABLE 7:
PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR

	Employment September 2003 (Thousands)	Employment September 2004 (Thousands)	Percent Change
Total Nonfarm	34.5	34.7	+0.6
Total Private	28.7	29.1	+1.4
Construction & Natural Resources	1.1	1.2	+9.1
Manufacturing	5.7	5.4	-5.3
Trade	5.4	5.6	+3.7
Transportation & Utilities	1.9	1.9	0
Financial Activities	4.0	4.0	0
Education & Health Services	3.2	3.4	+6.2
Leisure & Hospitality	3.4	3.5	+2.9
Information & Business Services	4.0	4.0	0
Total Government	5.8	5.6	-3.4

TABLE 8:
RETAILER CONFIDENCE IN STEVENS POINT-PLOVER AREA

	Index Value	
	June 2004	**September 2004**
Total Sales Compared to Previous Year	60	58
Store Traffic Compared to Previous Year	56	56
Expected Sales Three Months From Now	67	64
Expected Store Traffic Three Months From Now	67	61
100 = Substantially Better 50 = Same 0 = Substantially Worse		

TABLE 9:
HELP WANTED ADVERTISING IN PORTAGE COUNTY

	Index Value	
	2003	**2004**
Stevens Point (September) (1980 = 100)	98	84
U.S. (August) (1987 = 100)	37	37

TABLE 10:
PUBLIC ASSISTANCE CLAIMS IN PORTAGE COUNTY

	2003 Third Quarter (Monthly Avg.)	2004 Third Quarter (Monthly Avg.)	Percent Change
New Applications	206	226	+9.6
Total Caseload	3,664	4,445	+21.3

TABLE 11:
UNEMPLOYMENT CLAIMS IN PORTAGE COUNTY

	2003 Third Quarter (Weekly Avg.)	2004 Third Quarter (Weekly Avg.)	Percent Change
New Claims	158	159	+1.0
Total Claims	1,241	1,072	-13.6

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

	2003 Third Quarter	2004 Third Quarter	Percent Change
Residential Permits Issued	72	50	-30.6
Estimated Value of New Homes	$14,407.7 (thousands)	$9,052.0 (thousands)	-37.2
Number of Housing Units	112	54	-51.8
Residential Alteration Permits Issued	262	287	+9.5
Estimated Value of Alterations	$1,923.9 (thousands)	$1,789.1 (thousands)	-7.0
***Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.			

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

	2003 Third Quarter	2004 Third Quarter
Number of Permits Issued	9	9
Estimated Value of New Structures	$4,975.2 (thousands)	$4,823.6 (thousands)
Number of Business Alteration Permits	40	51
Estimated Value of Business Alterations	$722.2 (thousands)	$4,040.2 (thousands)
*Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.		

The University and Greater Community
Executive Summary

Chancellor Linda Bunnell, Ph.D.
University of Wisconsin – Stevens Point

My remarks will touch on five major themes: town/gown relationships, regional collaborations and partnerships, UWSP's economic impact on Central Wisconsin, the proposed UW System Board of Regents' 2005-07 budget request, area chamber and business support on behalf of the proposed budget, and a brief reminder of UWSP's main focus - student success.

UWSP's town/gown relationships have been quite good since the university was founded in 1894. They include the campus' ongoing interactions with area businesses, government, chambers of commerce and other private and public institutions. The diligence of UWSP, combined with regional media and private sector interests, make UWSP a key academic, economic and cultural player in Central Wisconsin.

Regional collaborations have been a key priority for the campus for the past decade and that priority will be enhanced under my leadership. Whether it be partnering with other area higher education institutions from Marshfield to Marinette, or the Wisconsin Learning Center in the Portage County Business Park, or agreements with private sector institutions such as the Noel Group in Stevens Point, Marshfield Clinic, Stora Enso in Wisconsin Rapids, or Greenheck Fans in Wausau, UWSP is committed to the area's economic fortune as well as its quality of life.

The university continues to be the second largest employer in Stevens Point. UWSP's 1,000 employees and a payroll of $56,000,000 (excluding fringe benefits) make an enormous economic impact on the region, in the purchasing of goods and services, as well as housing. Approximately 8,700 students, pour dollars into area restaurants, retail stores, and gas stations. Based on a recent System-wide study of the university's total economic impact on its neighbors, analysts conservatively estimate that UWSP adds approximately $300 million annually in financial assets alone to the regional economy. The economic contribution to Wisconsin by University of Wisconsin System campuses, including UWSP, is at least $9.5 billion annually. If the UW System were listed among the Fortune 500 list, it would rank 350th.

My reason for focusing on the positive economic impact of UWSP is to encourage our area business supporters, large and small, as well as our area elected officials and area chambers of commerce to weigh in with area legislators and Governor Doyle in support of the UW System Board of Regents 2005-07 biennial budget proposal.

The stakes are higher than in the past as UWSP and other UW System campuses have already absorbed well over $150 million in base budget cuts over the past few years. Since the early 1990s, UWSP alone has absorbed over $6 million in state budget cuts.

UWSP's core mission will forever focus on student success and the surest way to accomplish that goal is by giving our graduates the ability to think critically, communicate well, and to compete in a global economy. UWSP and all other UW System campuses will continue to be among the most important generators of economic growth and opportunities as the state places a greater emphasis on information and technology.