

2021 Business Outlook Survey Results

How's business shaping up in Oshkosh for 2021? That is the question we asked local CEOs, business managers and owners. While it is impossible to predict our economic future with a high degree of specificity and in spite of the Covid-19 pandemic, locally Oshkosh is doing well and has a position of strength in the marketplace. This past year, employment remained strong. According to the Wisconsin Department of Workforce Development (December 2020), the unemployment rate for Oshkosh remains below the national unemployment rate of 6.5 percent at 4.4 percent. This unemployment rate is amazing when you consider that in April 2020, the Oshkosh unemployment rate was 14.3 percent. Oshkosh-based businesses are employing more people than ever before. Local companies employ 40,748 people in Oshkosh. We have seen capital investment in commercial and industrial property of more than \$64.7 million, with over \$50 million of new development already teed-up for 2021.

This past year challenged the Oshkosh business community. People will look back on 2020 and consider it one of the most transformational periods in Oshkosh history. As we turn the page in 2021, businesses are focused on reigniting the local economy and reasserting their competitiveness. The year 2021 will be one of recovery. Depending on where you sit, the recovery may be strong. Some industries and businesses have thrived. We see evidence in the surging stock market, housing boom, profits and robust consumer spending. But it is a different story for those businesses that have been adversely affected by the pandemic. Entire business sectors have been decimated because people aren't traveling, gathering, shopping or going out like they used to, resulting in a disproportionate negative impact on small business.

Everyone knows that the economy fell off the cliff in the first half of 2020. The US economy shrank by 3.5% for all of 2020. However, the economic recovery is underway. The US economy has shown a remarkable resilience amid the worst of the pandemic. The 4% growth in the fourth quarter of 2020 followed a rebound of 33.4% in the third quarter. The US GDP in the fourth quarter rose to \$21.48 trillion which is nearly back to its peak from the previous year's fourth quarter mark.

The results of the Oshkosh Chamber's Annual Business Outlook Survey, a barometer that we use to gauge the degree of confidence of business leaders, indicated the 2021 recovery is underway but may be uneven. Overall, there is a growing degree of optimism among local CEOs and business owners with 66.5% of the participating CEOs rating their companies' outlook as good to excellent in the next 6 months and 88.75% rating their outlook as good to excellent in the next 1 – 3 years.

Of the local CEOs and business owners who participated in our annual Business Outlook Survey, 30 percent reported that sales increased in 2020 over the previous year, 40 percent indicated that profits were up, and 53 percent increased wages. This past year, 27 percent of reporting companies added staff to their payrolls. In 2020, 44 percent of the respondents indicated that their companies met or exceeded profitability expectations. To no one's surprise, those companies missing the mark on profitability expectations cited the impact of the Covid-19 pandemic as the biggest cause.

When asked for their forecasts for 2021, 76 percent believe that sales will out-perform the previous year's sales level and 53 percent expect to add employees. Overall, participating firms expect sales gains, according to 55 percent of the reporting companies in the first quarter of 2021 compared to the previous quarter. 58 percent of these companies expect sales increases in the first quarter of 2021 compared to the same quarter in 2020. 62% of area CEOs expect to hire more people in 2021 and 38% expect to make a capital expenditure. While this is all very good news, business leaders report that finding qualified workers remains a challenge, with 37.5 percent indicating they have job openings that are unfilled.

Manufacturers plan to increase their raw material inventories in the first quarter of 2021 compared to the same quarter one year ago according to 57.5 percent of Oshkosh-based manufacturers. In the first quarter of 2021, 46.5 percent of retailers, wholesalers and manufacturers anticipate higher volume of finished goods inventory over 2020 fourth quarter levels. These are lead indicators of an expected sales volume increase in the months to come.

In the 2021 survey, we asked CEOs about their perception of the region and of Oshkosh. Overall, CEOs felt very positive (good to excellent) about the region, with 84% indicating the quality of life is good to excellent; 65.5% indicating the education system was second to none; and, 62% believed the region has a forward looking culture that embraces entrepreneurialism.

When asked about Oshkosh, CEOs again felt very positive (good to excellent) about the community, with 92% indicating that Oshkosh is a great place for raising a family and 68% indicating that Oshkosh is on the right track. Further, 78% believed Oshkosh has a strong, vibrant economy; 59% thought Oshkosh was business-friendly, with 74% saying it is a great place to start a business.

While optimism remains high, 75% of the responding CEOs indicated that the State of Wisconsin and the US is heading in the wrong direction in terms of the business climate – a stark contrast from the previous year.

Local CEOs indicated that legislative measures should be taken to improve their business and the state's business climate. Local CEOs stated the top three public policy issues facing Wisconsin are the labor shortage/the lack of qualified applicants, the current tax climate, and increasing health care costs. Local CEOs also said that state government could help Wisconsin's business climate and their businesses by reducing/reforming business regulations, and by reducing the tax burden and government spending.

CEOs, business managers and owners are probably some of the most optimistic personality types. True to form, our survey found Oshkosh business leaders inclined to be optimistic on 2021, but the ongoing impact of the Covid-19 pandemic continues to dampen the outlook. It is believed at some point in 2021, the economy should stage a mini-boom according to the Wall Street Journal. However, the threats to growth will come when the new administration's wave of regulation and tax increases arrive.