

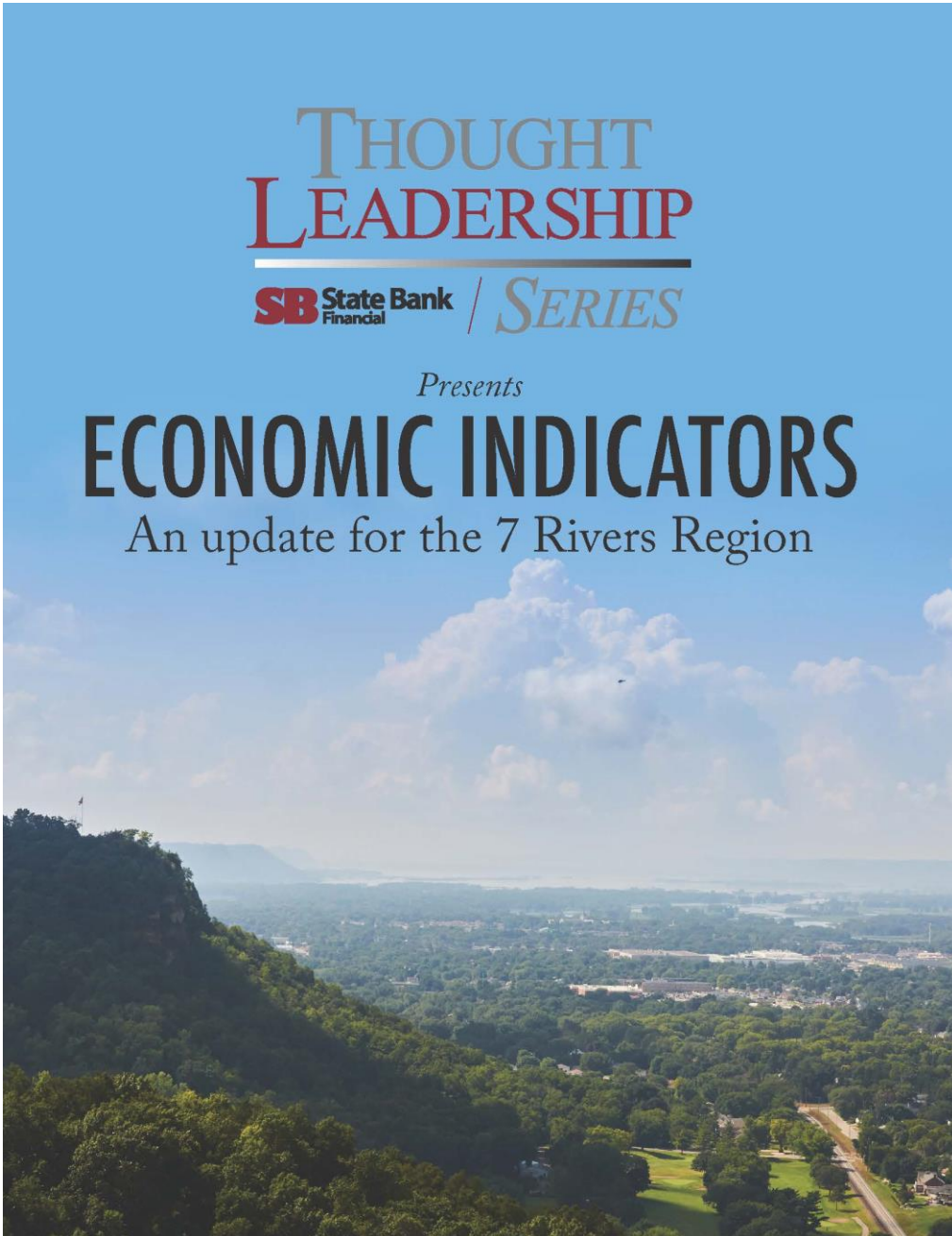
# THOUGHT LEADERSHIP

**SB** State Bank  
Financial | *SERIES*

*Presents*

## ECONOMIC INDICATORS

An update for the 7 Rivers Region



October 30, 2024

### *Economic Indicators and Trends*

Taggert J. Brooks, Ph.D. , Dean

UW-La Crosse College of Business Administration

# Economic Indicators\*

“Economic Indicators: An Update for the 7 Rivers Region” reports on a long-term study of regional economic indicators. The research is ongoing and spans a period of time to enable us to understand and report trends. This project is expected to continuously build on a base of economic information and provide decision-makers with valuable tools for strategic planning. The information will also provide a basis for comparison with other regions and a measure of our progress.

State Bank Financial sponsors this research project in collaboration with the University of Wisconsin-La Crosse College of Business Administration and the *La Crosse Tribune*. These programs will continuously build on a base of information and provide decision-makers like you with valuable tools for strategic planning.

Specific goals of this project are:

- Support business owners in their business decisions by gathering key local economic indicators and trend information.
- Develop specific economic indicators for this region that are not readily available to decision-makers.
- Develop tools to assess our progress in economic growth. Prepare baseline measures that will allow comparison with other regions and measure the future progress of the region.
- Track the region’s participation in the “new economy” and development in the high-tech arena.
- Bring professionals together with business owners for discussion about the local economy and related critical issues.
- Create a business recruitment and retention tool by publishing the information.

Core economic indicators cover the following areas:

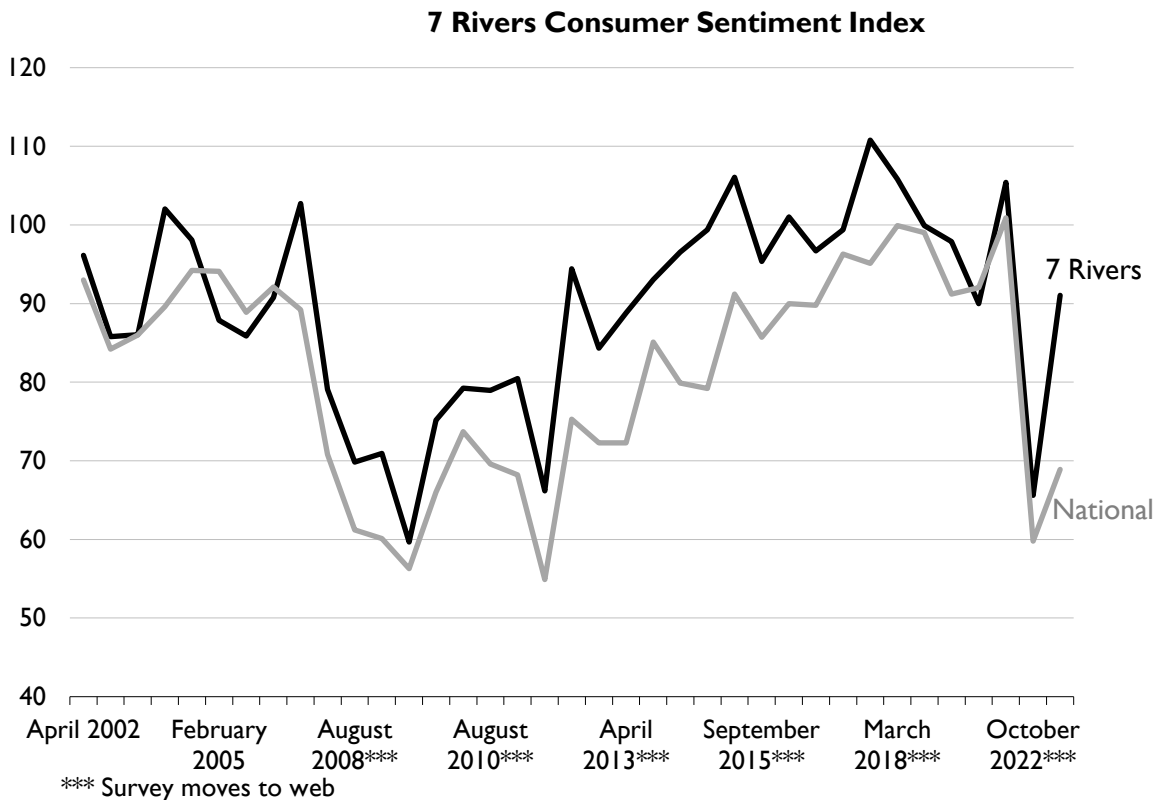
- Employment
- Income
- Cost of Living
- Consumer Attitude and Behavior
- Real Estate and Housing
- Interest Rates
- Equity Performance

\*This content may have been created with the assistance of generative AI, but it has been reviewed by a human; however, please note that human review is not infallible. For any concerns or clarifications, feel free to contact the machine directly.

## Consumer Sentiment Survey.

We will lead this iteration of the Economic Indicators report by looking at local consumer sentiment. Often viewed as a leading indicator for the economy, how people feel about the future is important to their economic behavior. To measure this, we turn to a survey. The University of Michigan's Consumer Sentiment Index (UMCSI) is a monthly survey-based measure of consumer confidence in the United States, providing insight into public perceptions of the economy. Based on a random sample of U.S. households, the survey assesses consumer attitudes regarding personal finances, business conditions, and purchasing power. The index, published by the University of Michigan's Surveys of Consumers program, is widely regarded as a leading indicator for economic activity, influencing economic forecasts and policy decisions. It includes two sub-indices: the Current Economic Conditions Index, which measures perceptions of current financial conditions, and the Consumer Expectations Index, which gauges future financial outlooks over the next five years.

During the week of October 08, 2024 I distributed, via email, the same questions which appear on the University of Michigan's consumer sentiment survey to approximately 1,200 past participants in programs related to the Seven Rivers region. The following data is based on results from the initial 104 responses received, along with the national data from the UMCSI.



The data for the Seven Rivers Region continues to demonstrate a level of optimism beyond that of the nation, but it is important to note that both of them have bounced back off the lows of late 2022. For the Seven Rivers Region, the improvement comes from both the current conditions index and the expectations index, with the former improving by a bit more than the latter. For the national index, we actually see a slight decline in the current conditions and a large more than offsetting increase in the future expectations index. An abbreviated version of the data is below, with the complete historical table available in the appendix.

**Consumer sentiment index**

	Consumer Sentiment		Current Conditions		Consumer Expectations	
	7 Rivers	National	7 Rivers	National	7 Rivers	National
<b>February 2020***</b>	105.4	100.9	120.1	113.8	96.0	92.6
<b>October 2022***</b>	65.6	59.8	63.5	65.3	66.9	56.2
<b>October 2024***</b>	91.0	68.9	91.6	62.7	90.7	72.9

**Airport Data**

The airline market for passenger travel has undergone significant economic changes in recent years, primarily driven by fluctuating fuel prices, changes in consumer demand, the rise of low-cost carriers, and post-pandemic recovery dynamics. Larger airlines have increasingly shifted their focus to more profitable long-haul and high-demand routes, often prioritizing major hub airports over smaller, regional ones. This shift has left many small regional airports with reduced service or, in some cases, without service altogether.

While the airlines received a substantial amount of support from the federal government it has taken some time for the level of traffic to return to previous levels. From the graph below, you can see that on the national level, enplanements for US air carriers and domestic and international flights have now surpassed their pre-pandemic levels.

## Enplanements for U.S. Air Carrier Domestic and International, Scheduled Passenger Flights

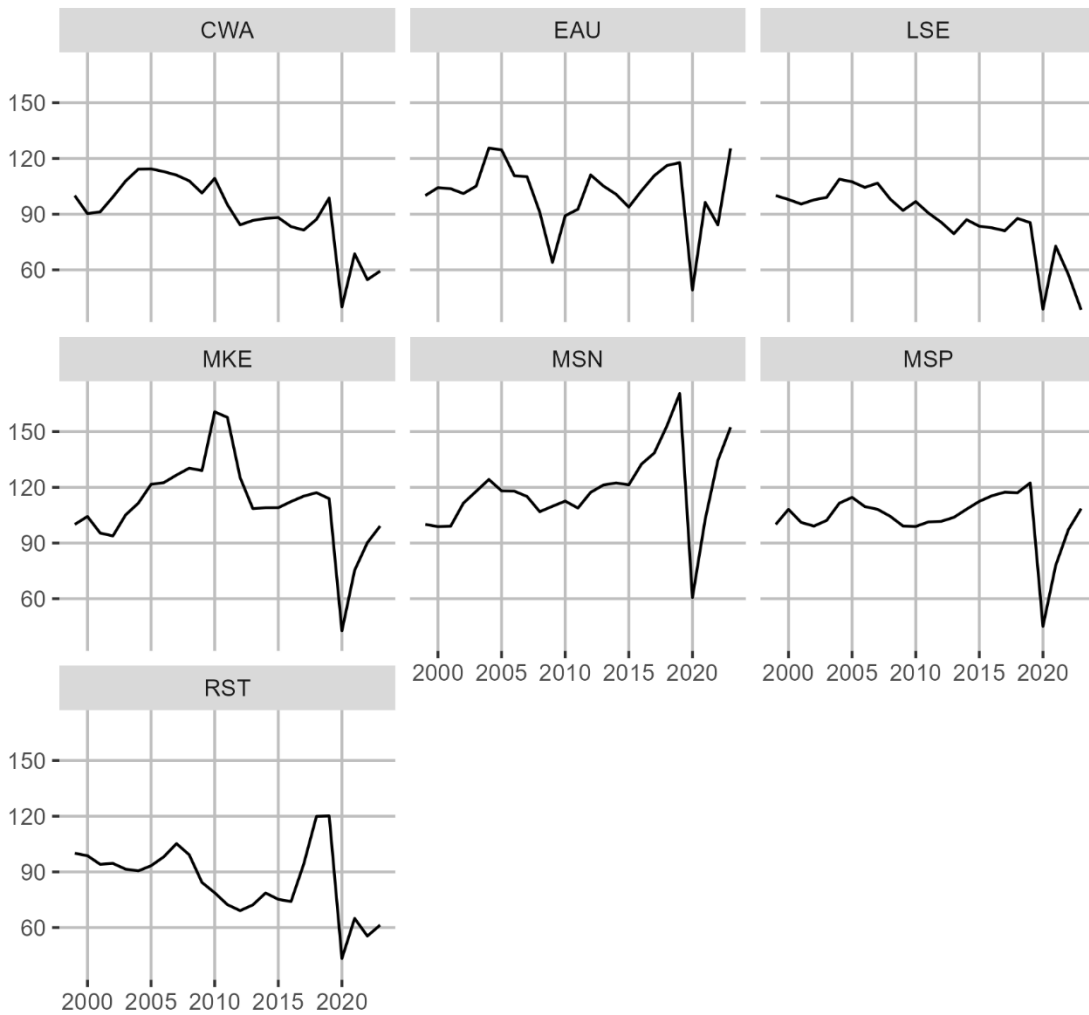


Source: U.S. Bureau of Transportation Statistics

However, small regional airports – such as the La Crosse airport (LSE) - play a crucial role in providing access to air travel for less populated or remote areas, serving as feeders to larger hub airports. They can stimulate local economies by attracting businesses and tourism. However, they face challenges such as limited passenger volumes, higher per-passenger operating costs, and dependence on subsidies or regional carrier agreements to maintain routes. In response, some regional airports have adapted by targeting niche markets, offering incentives to carriers, and investing in facilities to attract more traffic.

Below you will find the enplanement data for regional airports in the upper Midwest. This data was indexed to 100 in 1999. So all changes are relative to that point point in time. You can see that La Crosse, with the designated code of LSE, is 39% of what it was in 1999. We are down to one carrier with three maybe four flights a day. In this data, you can also see that other airports have fared differently, for example. Eau Claire seems to be doing better than many of the others. However, the subsidies for one of their carriers just ended. Rochester, with letters RST, is also down from its 1999 levels, while Minneapolis and Milwaukee are level with the 1999 data.. Central Wisconsin is also down. The Madison – MSN – the airport is the lone exception.

## Regional Airport Enplanements Index

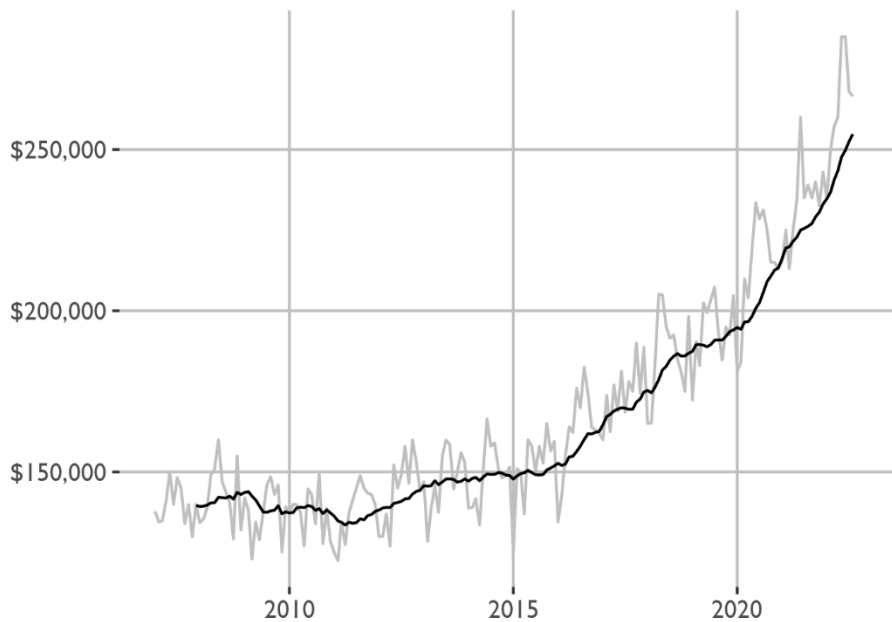


Source: Federal Aviation Administration

## Housing Data.

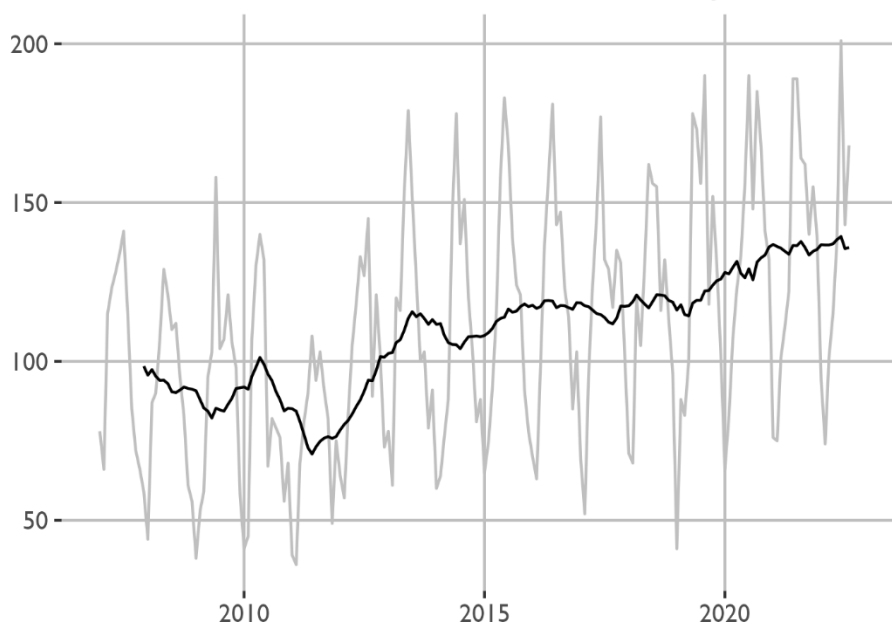
Turning our attention to the housing market in La Crosse. The first two graphs show median home prices in La Crosse County and the number of sales in La Crosse County. We can see, despite rising interest rates (mortgage rate graph in the appendix), that the value of homes being sold is increasing over time. And additionally, the number of sales has appeared to level off. This is likely the result that we're experiencing in the market in general. People who own their homes often have low interest rates locked in and are reluctant to move. So the amount of home sales is not increasing.

## Median Home Prices: La Crosse County



Source: Wisconsin REALTORS Association

## Number of Home Sales: La Crosse County



Source: Wisconsin REALTORS Association

Another important factor about the housing market at the moment is the large shortage in for sale and for rent housing units. While this is not the sole cause of the rise in the unsheltered, it is certainly a contributing factor. Estimates provided in the graph on the next page put us at 1.5 million housing units below what is needed for our household formation.

# U.S. housing market is 1.5 million housing units below a "balanced market," finds Freddie Mac

Freddie Mac: "To bring the vacancy rate, both rental and homeowner, back in line with historical averages, the U.S. would need to add an additional 1.5 million vacant for-sale and for-rent homes"

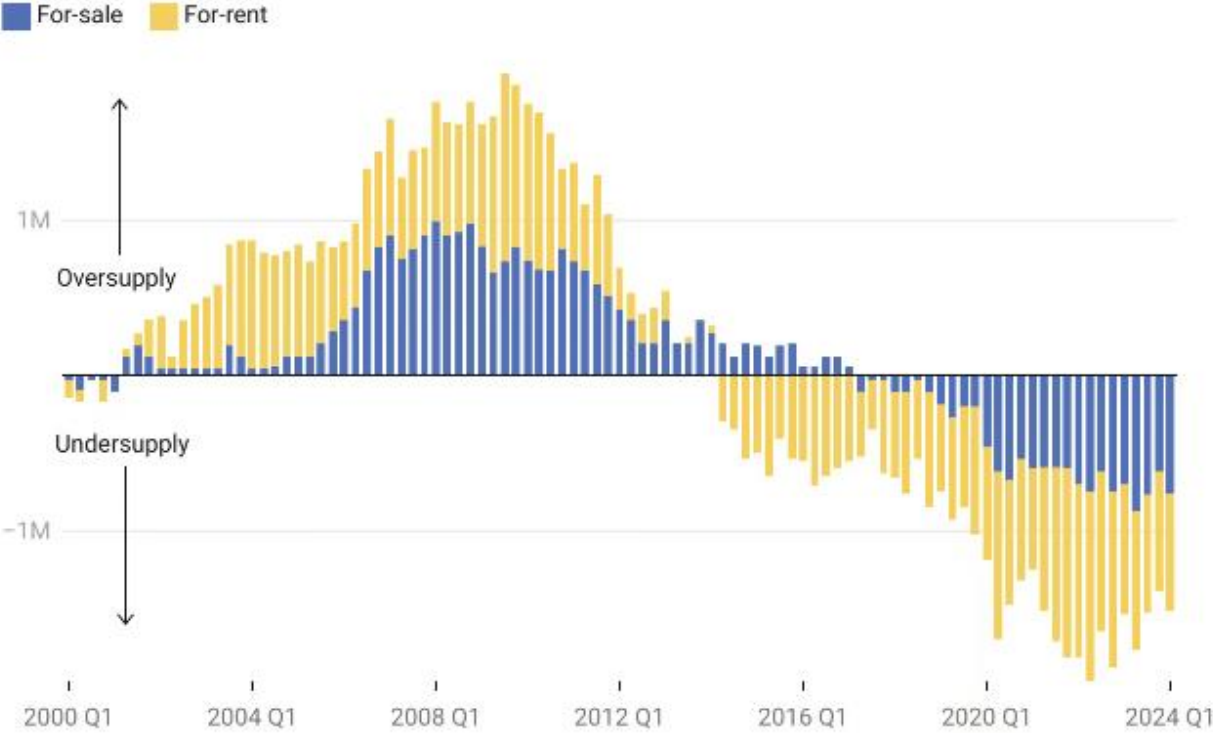


Chart: Lance Lambert • Source: Freddie Mac's analysis, published in May 2024, of U.S. Census Bureau data • Created with Datawrapper

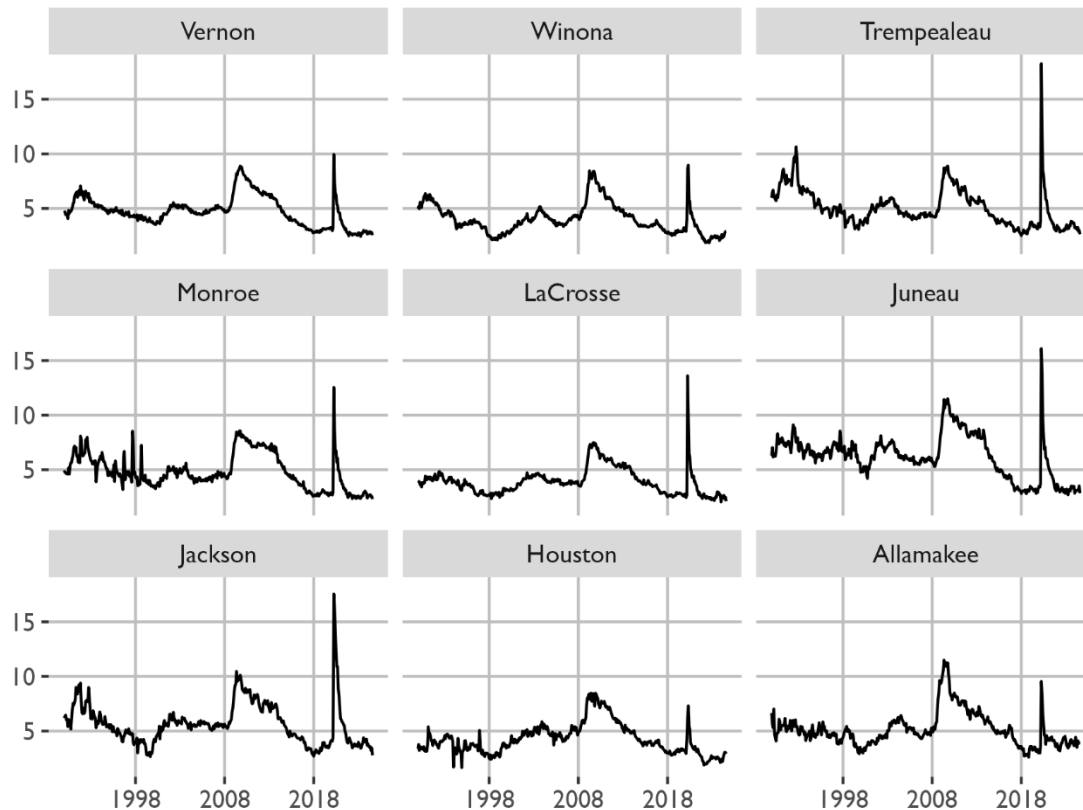




## Labor Market.

As of October 2, 2024, the unemployment rate in La Crosse County, Wisconsin was 2.20%, which is well below the long-term average of 3.98%.

### Seasonally Adjusted County Unemployment Rates



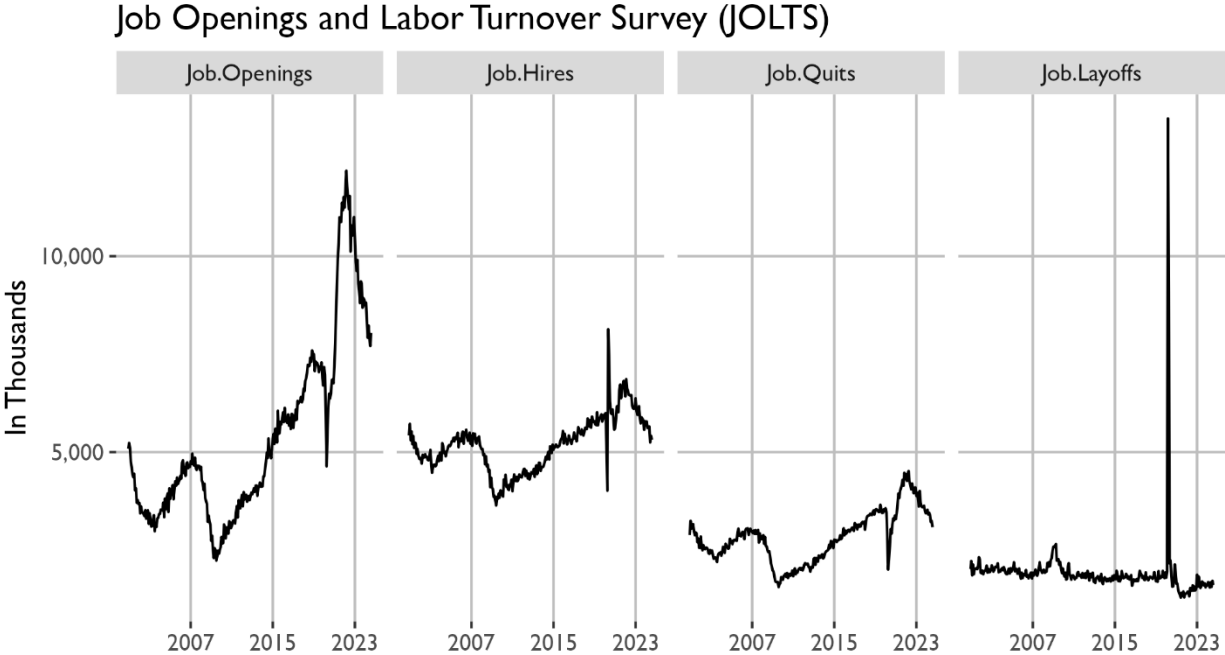
Source: U.S. Bureau of Labor Statistics

However, the labor market over the past 12 months has seen a mixed performance. Job growth has continued, albeit at a slower pace compared to the rapid post-pandemic recovery. The unemployment rate has remained historically low, hovering around 3.5-4%, signaling a still-strong demand for labor. Wage growth has also been steady but has started to decelerate, which could indicate that the tight labor market may be loosening. Meanwhile, labor force participation has improved modestly, driven by increased re-entry of older workers and women. The tech sector faced notable layoffs, while other sectors like leisure, hospitality, and health services continued hiring to meet demand. Overall, the labor market shows signs of cooling, which aligns with broader economic efforts to control inflation without triggering a recession.

Right now, the most important labor market indicator to watch is wage growth. Wage trends are crucial because they tie directly into inflationary pressures, which the Federal Reserve is closely monitoring in its fight to stabilize prices. Rapid wage increases can fuel consumer

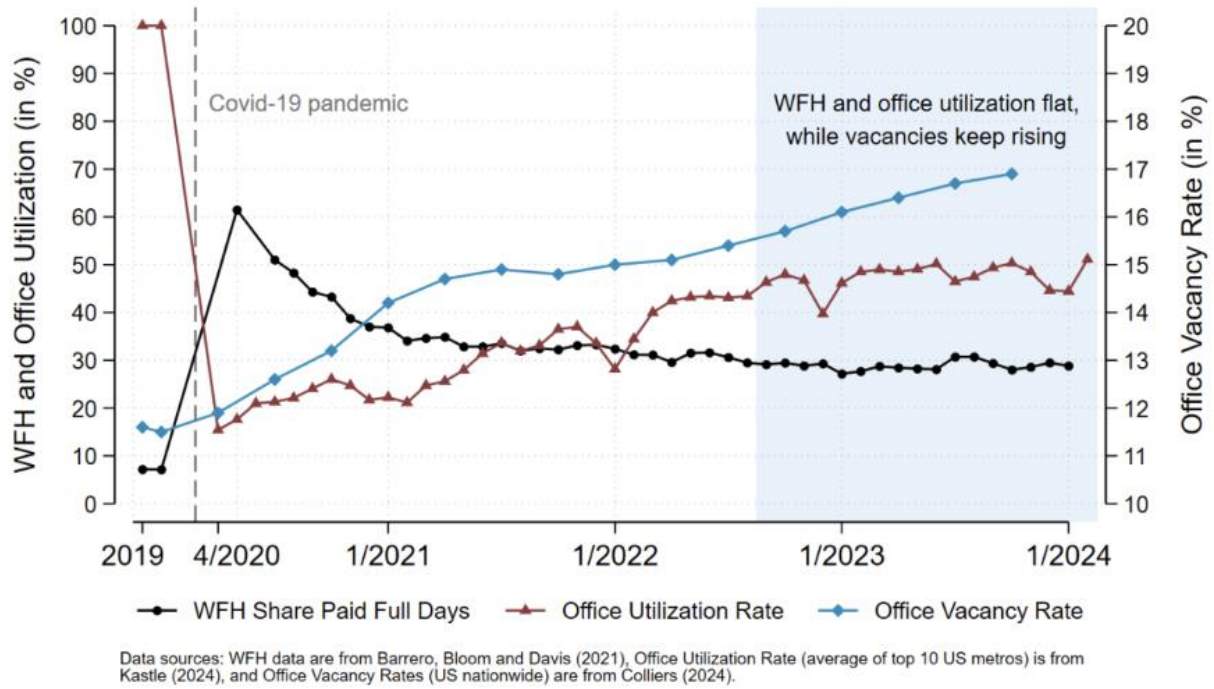
spending, potentially pushing inflation higher, especially in the services sector, where labor costs are a significant component.

Additionally, job openings and labor force participation rates also provide key insights into the labor market's dynamics. If wage growth continues to slow without a significant uptick in unemployment, it may signal a healthier rebalancing of the labor market—something that policymakers and economists are hoping for as they try to engineer a “soft landing” for the economy.



### Update on Remote Work

During the pandemic and after, there was a dramatic rise in remote work. It's a trend we are keeping our eye on. The next graph describes the percentage of paid full days that are work from home along with office utilization and office vacancy rates. You can see that work from home reached at one point almost two-thirds of days were work from home. However, it's now less than a third. Anecdotal evidence from press clippings suggests that more and more large firms are reducing the number of days you can work from home and being specific about which days you can work from home. That is often balanced against the location and commute times that employees face. Anecdotally, I was recently visiting with alumni in Chicago, and most of them appeared to be on a two-day in-the-office requirement where they would choose the two days. This was specifically true of those whose offices were in downtown Chicago.



### Miscellaneous Indicators

There are a few other indicators that are worth mentioning because people have followed them fairly closely. First, gas prices. We can see from the next graph that gas prices have fallen from a peak in the summer of 2022 to down to just over \$3 a gallon.

### US All Grades All Formulations Gas Price



Source: U.S. Energy Information Administration

Another indicator that's received and always receives a lot of attention would be the stock market. Here we have the Standard & Poor's 500 reaching all-time highs recently. But it's an important point to note that much of the gains have been driven by what has come to be known as the "Magnificent Seven" which dominates the S&P 500, driving more than half of the gains. These stocks that are part of the Magnificent Seven and their rough weighting in 2024 are below.

- Apple (AAPL) 7.31% weighting.
- Nvidia (NVDA) 7.04% weighting.
- Microsoft (MSFT) 6.25% weighting.
- Amazon (AMZN) 4.17% weighting.
- Alphabet (GOOG) (GOOGL) 4.06% weighting.
- Meta Platforms (META) 2.62% weighting.
- Tesla (TSLA) 2.28% weighting.



Source: S&P Dow Jones Indices LLC

## Appendix: Graphs and Tables.

### Description of the Consumer Sentiment Index Calculations.

#### Index of Consumer Expectations and the Index of Current Economic Conditions

Using the same procedures given above, the Index of Current Economic Conditions (ICC) and the Index of Consumer Expectations (ICE) are calculated as follows.

$$ICC = \frac{X_1 + X_5}{2.6424} + 2.0 \qquad ICE = \frac{X_2 + X_3 + X_4}{4.1134} + 2.0$$

#### Index Questions

The Index of Consumer Sentiment (ICS) is derived from the following five questions:

$x_1 = \text{PAGO\_R} =$  "We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?"

$x_2 = \text{PEXP\_R} =$  "Now looking ahead--do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?"

$x_3 = \text{BUS12\_R} =$  "Now turning to business conditions in the country as a whole--do you think that during the next twelve months we'll have good times financially, or bad times, or what?"

$x_4 = \text{BUS5\_R} =$  "Looking ahead, which would you say is more likely--that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?"

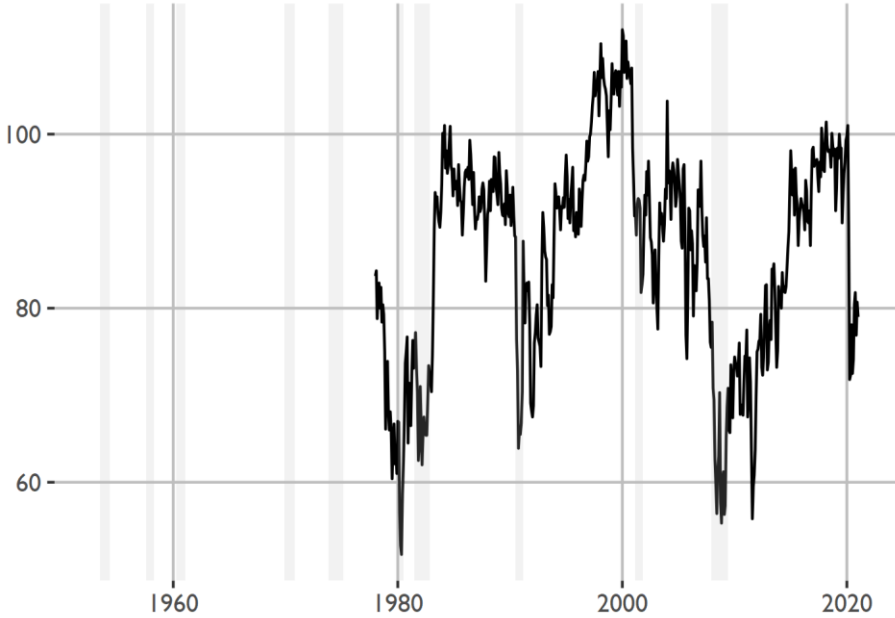
$x_5 = \text{DUR\_R} =$  "About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?"

## Consumer sentiment index

	Consumer Sentiment		Current Conditions		Consumer Expectations	
	7		7		7	
	Rivers	National	Rivers	National	Rivers	National
April 2002	96.1	93.0	94.7	99.2	97.1	89.1
November 2002	85.8	84.2	97.0	93.1	78.6	78.5
April 2003	86.0	86.0	94.4	96.4	80.6	79.3
October 2003	102.0	89.6	104.6	99.9	100.4	83.0
April 2004	98.1	94.2	102.9	105.0	95.0	87.3
February 2005	87.9	94.1	100.7	109.2	79.6	84.4
March 2006	85.9	88.9	107.6	109.1	71.9	76.0
November 2006	90.8	92.1	96.7	106.0	86.9	83.2
April 2007***	102.7	89.2	113.7	111.1	95.7	75.1
February 2008***	79.1	70.8	91.3	83.8	71.2	62.4
August 2008***	69.9	61.2	76.5	73.1	65.6	53.5
December 2008***	70.9	60.1	87.0	69.5	60.6	57.8
February 2009***	59.7	56.3	75.9	65.5	49.2	50.5
July 2009***	75.2	66.0	83.7	70.5	69.7	63.2
February 2010***	79.2	73.7	91.8	84.1	71.2	66.9
August 2010***	79.0	69.6	91.5	69.0	70.9	64.1
April 2011***	80.5	68.2	88.2	83.6	75.5	58.3
August 2011***	66.2	54.9	80.8	69.3	56.8	45.7
February 2012***	94.4	75.3	102.4	83.0	89.3	70.3
August 2012***	84.3	72.3	96.8	82.7	76.3	65.6
April 2013***	88.8	72.3	99.9	84.8	81.6	64.2
August 2013***	93.0	85.1	103.3	98.6	86.4	76.5
March 2014***	96.6	79.9	108.4	96.1	89.0	69.4
August 2014***	99.4	79.2	106.8	99.6	94.6	66.2
March 2015***	106.0	91.2	115.3	103.0	100.1	83.7
September 2015***	95.4	85.7	108.8	100.3	86.7	76.4
March 2016***	101.0	90.0	117.8	105.6	90.2	80.0
August 2016***	96.7	89.8	111.6	107.0	87.2	78.7
March 2017***	99.4	96.3	111.5	111.5	91.6	86.5
October 2017***	110.8	95.1	119.5	111.7	105.2	84.4
March 2018***	105.8	99.9	114.7	115.1	100	90.2
October 2018***	99.9	99.0	119.8	114.4	87.2	89.1
February 2019***	97.9	91.2	109.0	108.8	90.9	79.9
September 2019***	90.0	92.0	111.8	106.9	76.0	82.4
February 2020***	105.4	100.9	120.1	113.8	96.0	92.6
October 2022***	65.6	59.8	63.5	65.3	66.9	56.2
October 2024***	91.0	68.9	91.6	62.7	90.7	72.9

**Additional Graphs.**

University of Michigan: Consumer Sentiment



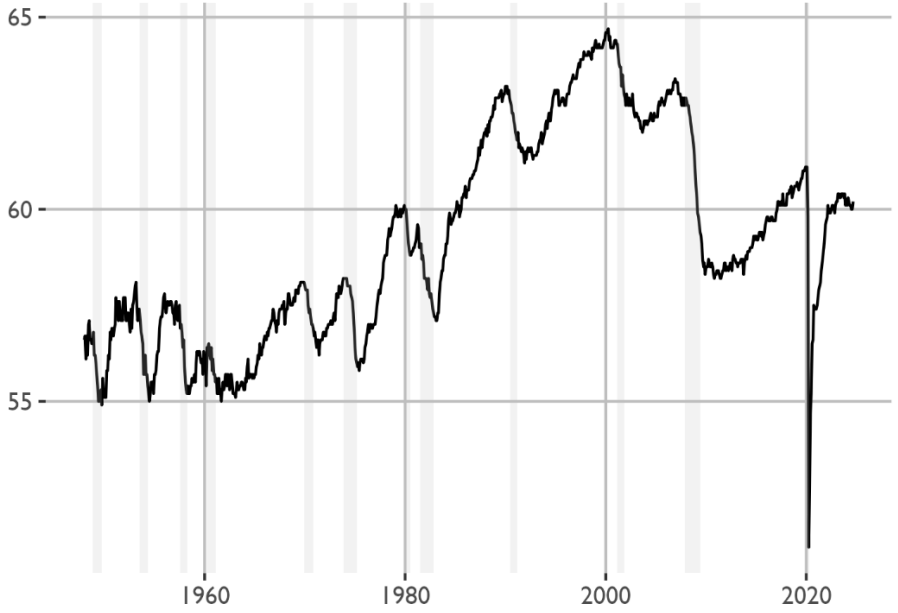
Source: University of Michigan

30-Year Fixed Rate Mortgage Average in the United States



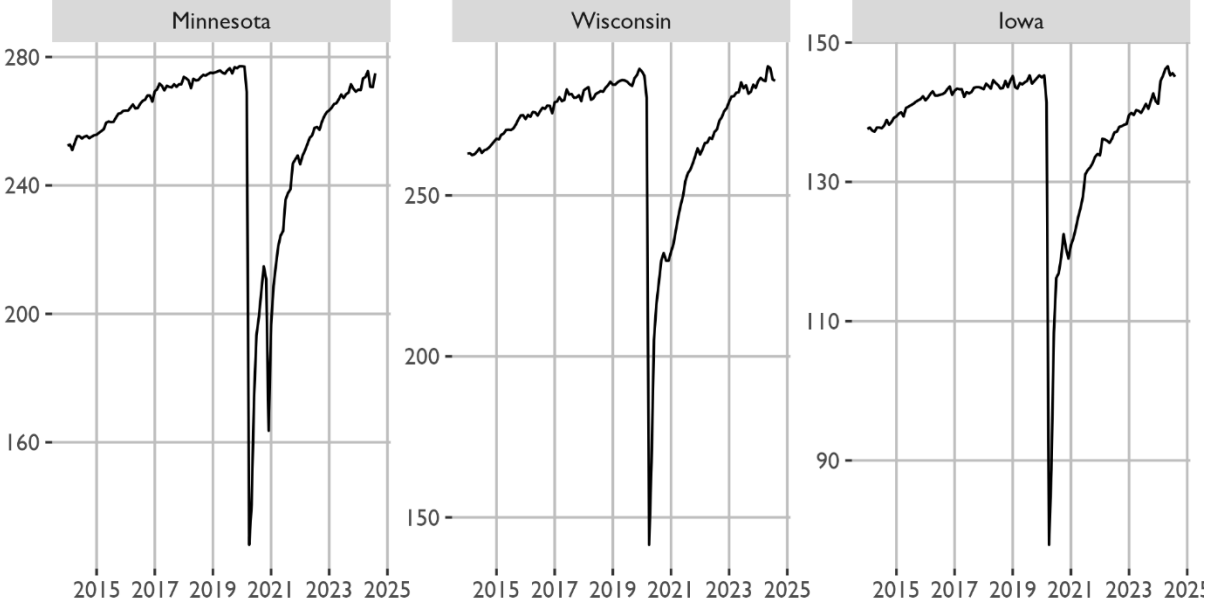
Source: Freddie Mac

# Civilian Employment-Population Ratio



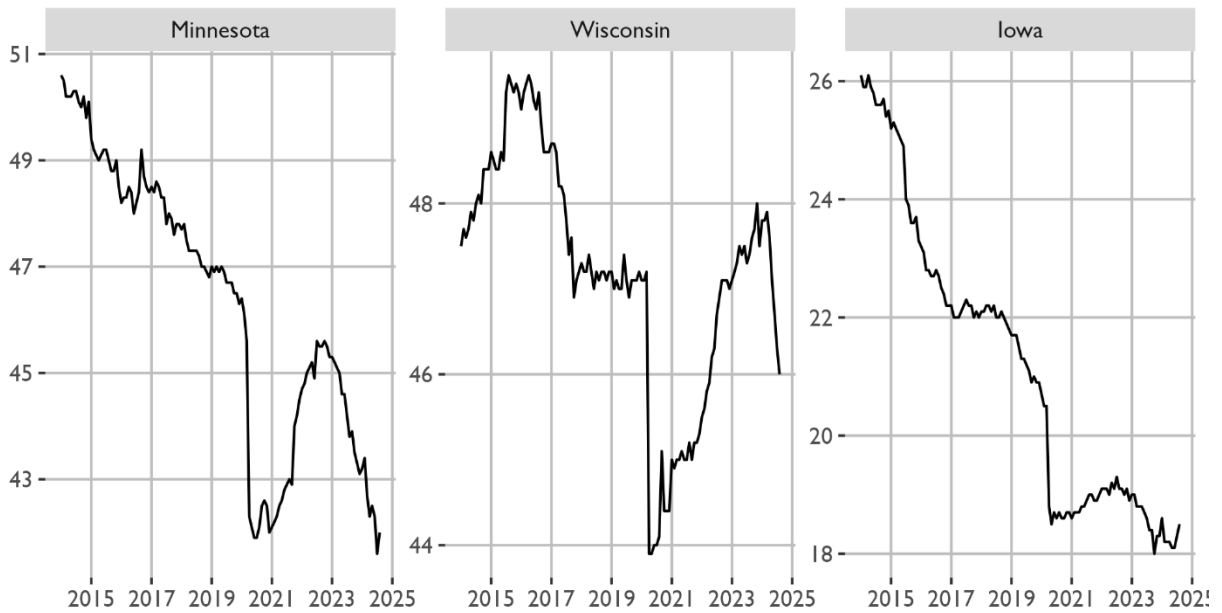
Source: Bureau of Labor Statistics

# Seasonally Adjusted, Employment - Leisure and Hospitality

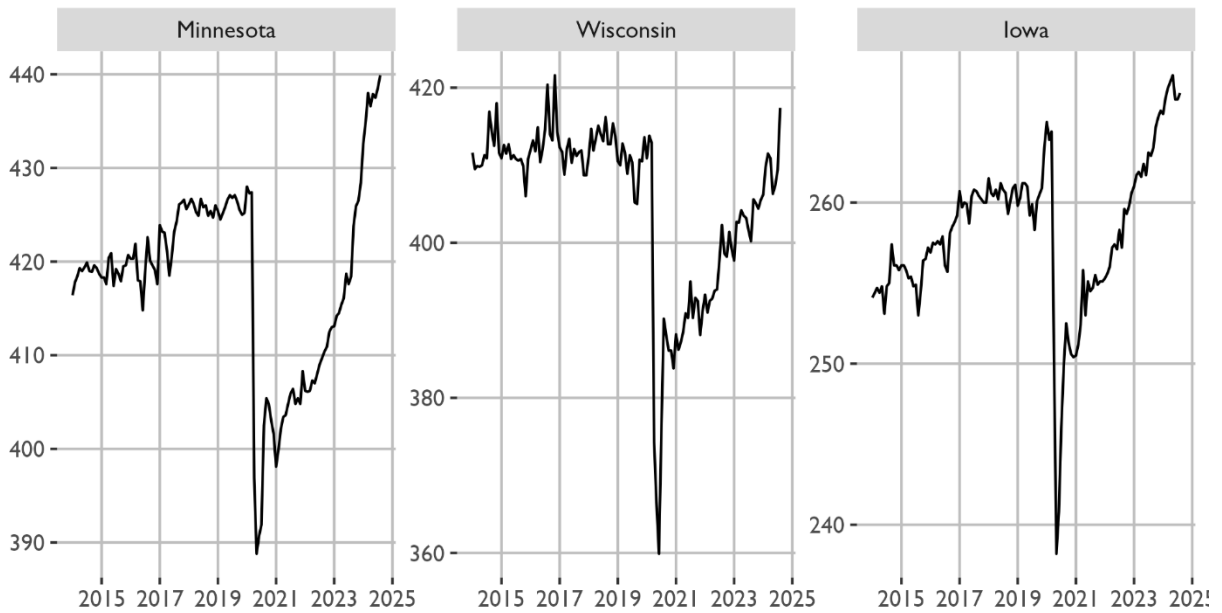




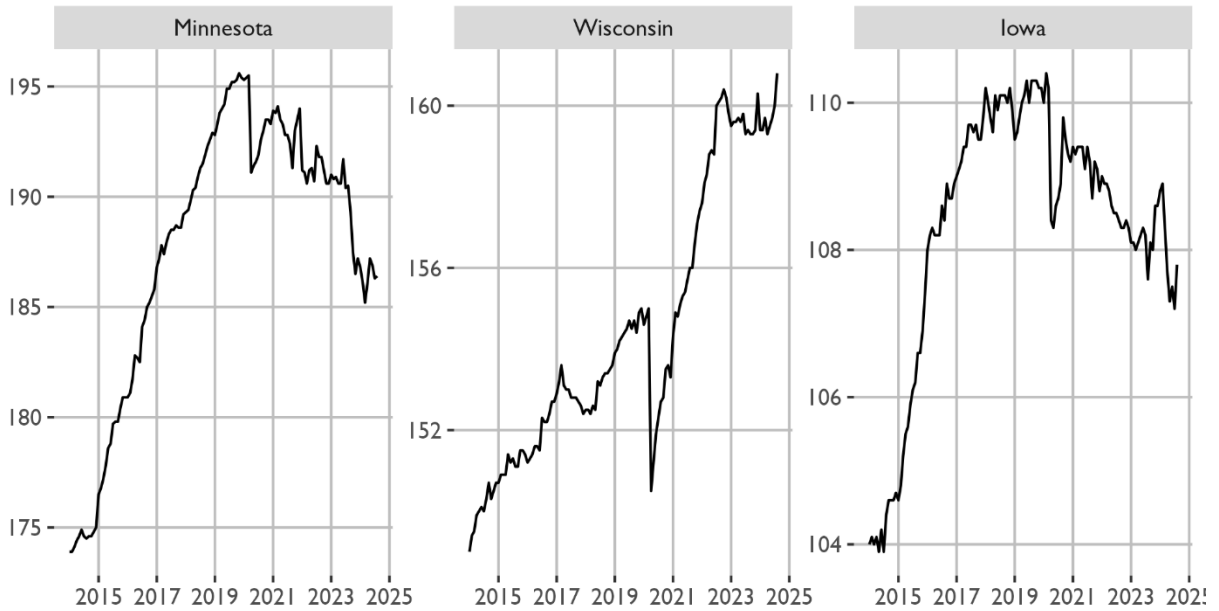
## Seasonally Adjusted, Employment - Information



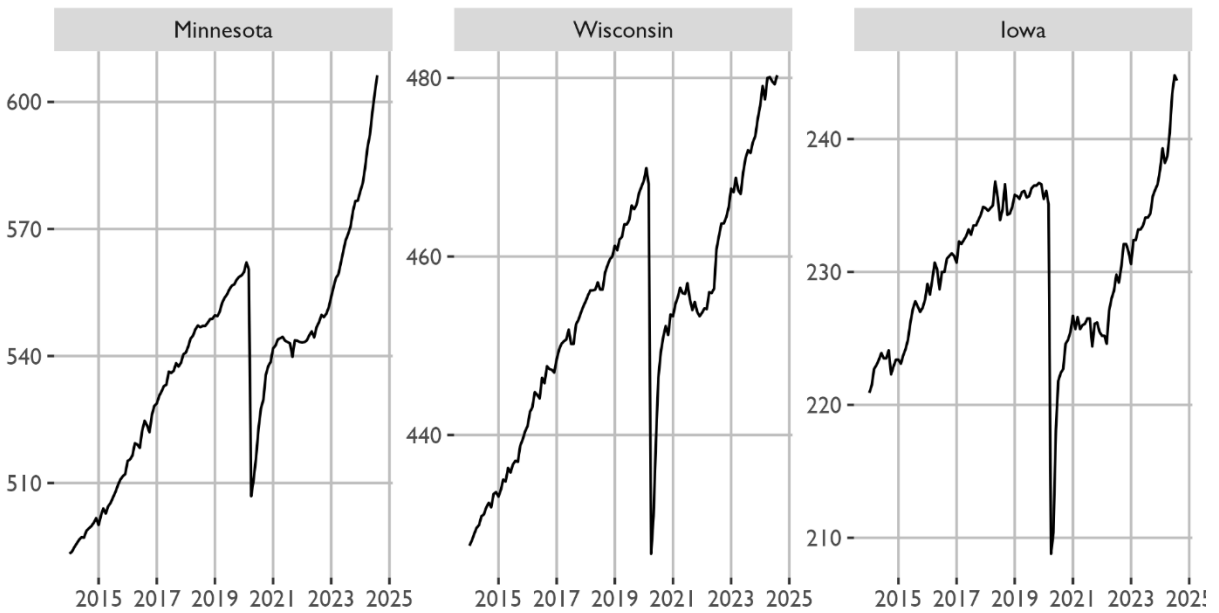
## Seasonally Adjusted, Employment - Government



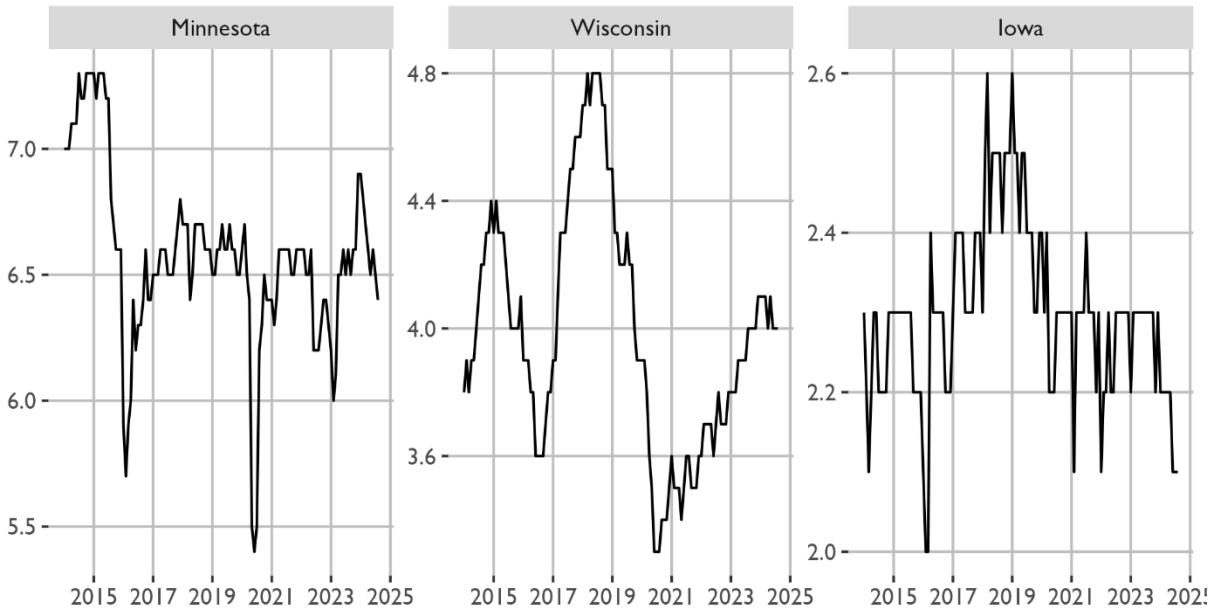
## Seasonally Adjusted, Employment - Financial Activities



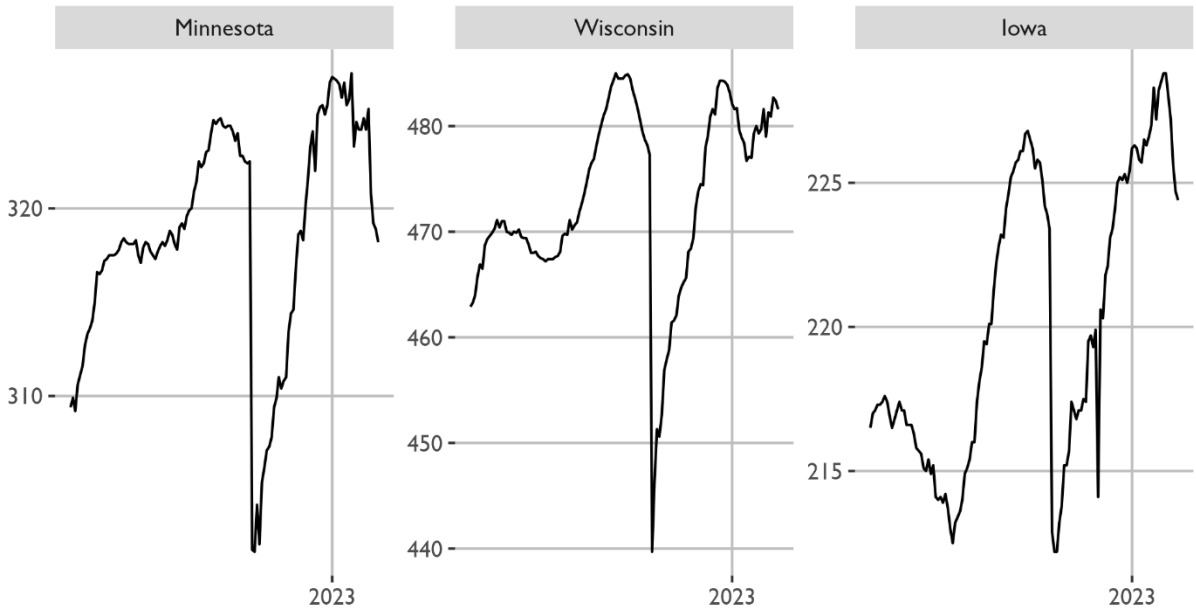
## Seasonally Adjusted, Employment - Educational and Health Services



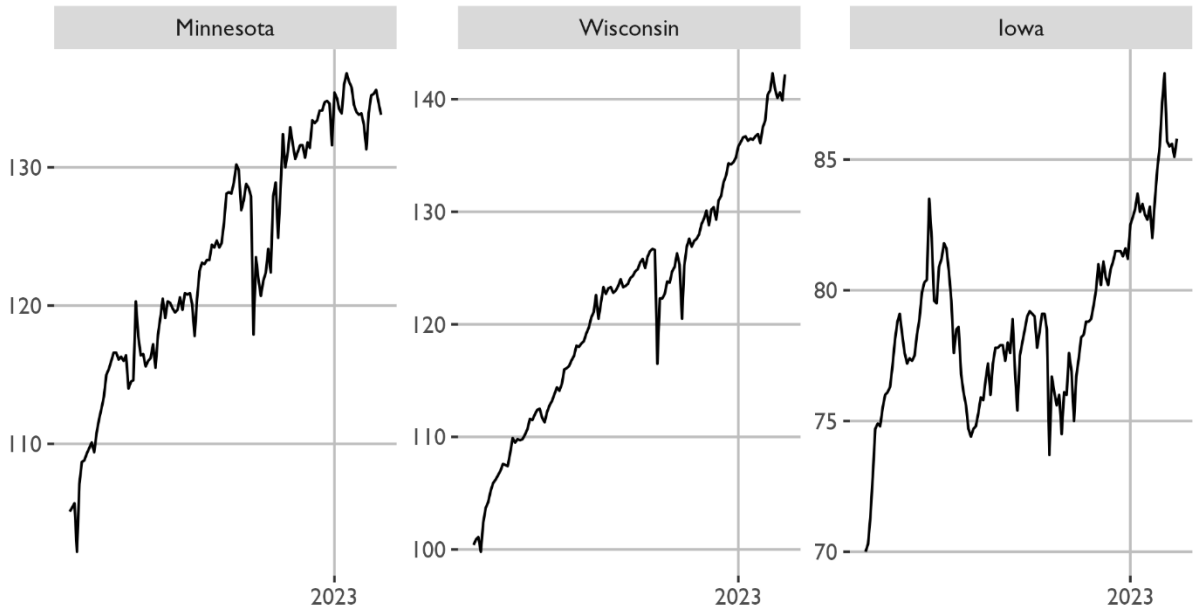
## Seasonally Adjusted, Employment - Natural Resources and Mining



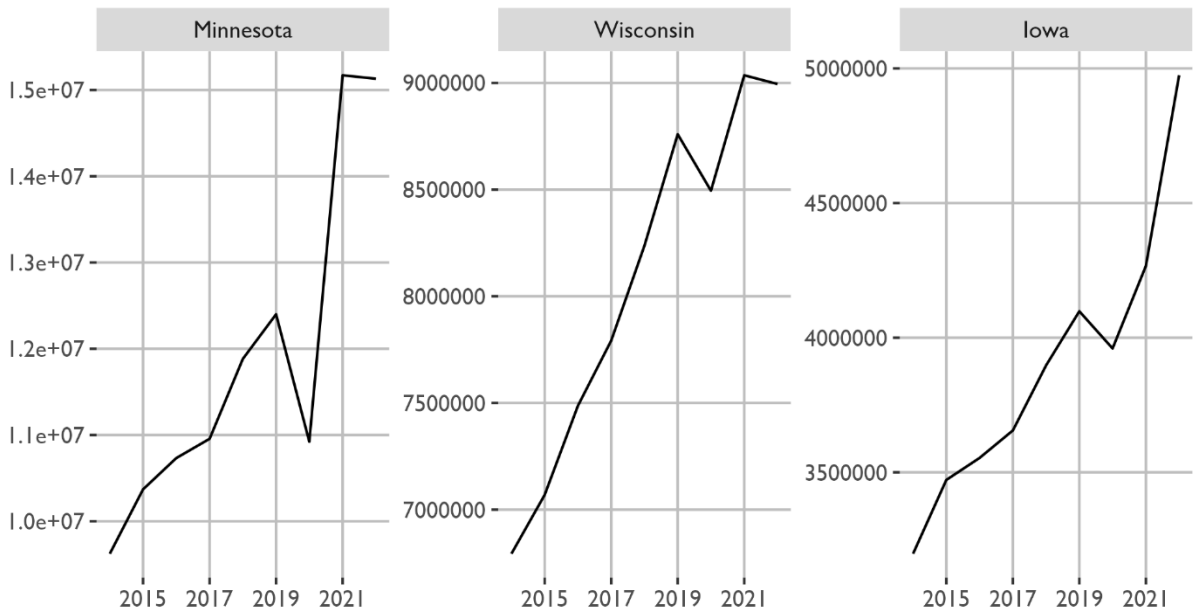
## Seasonally Adjusted, Employment - Manufacturing



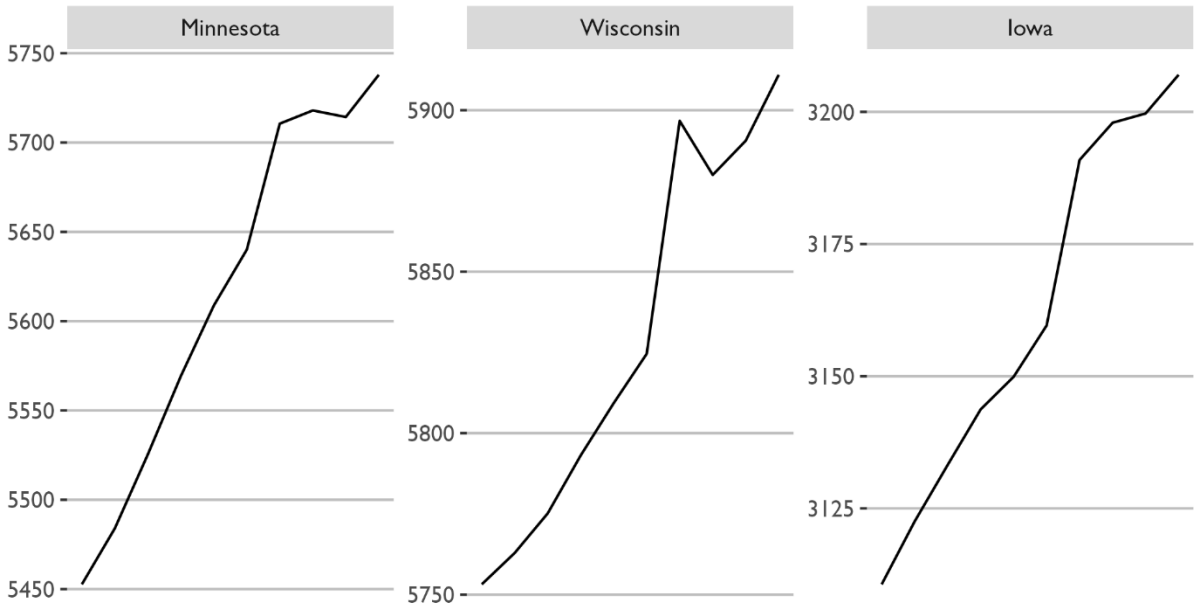
## Seasonally Adjusted, Employment - Construction



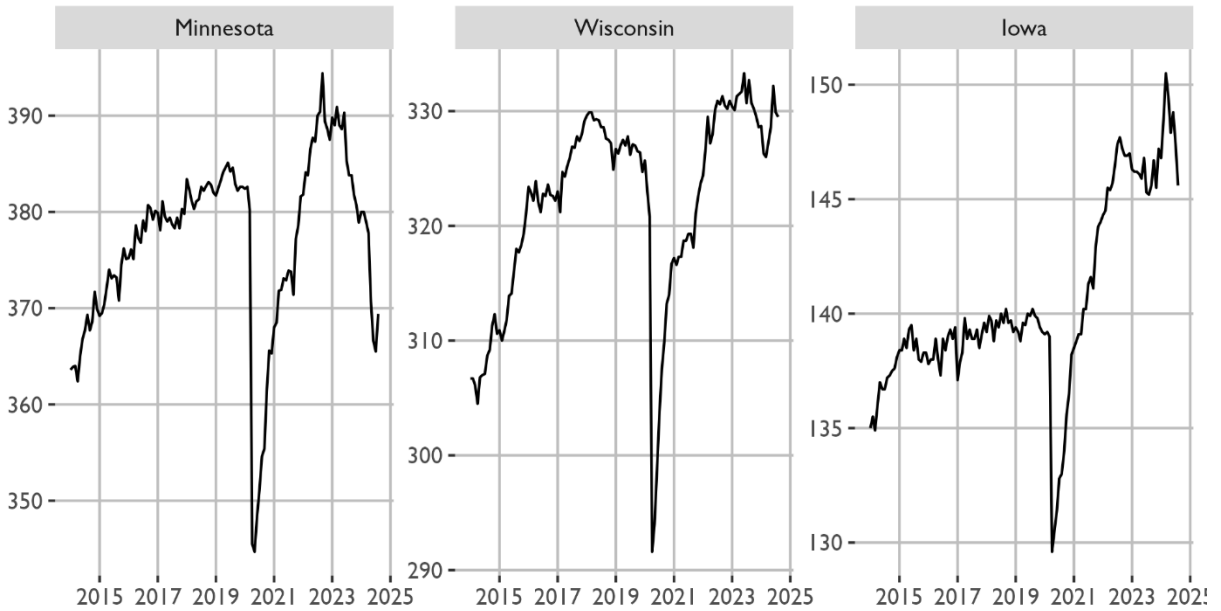
## Annual Income Tax Collections

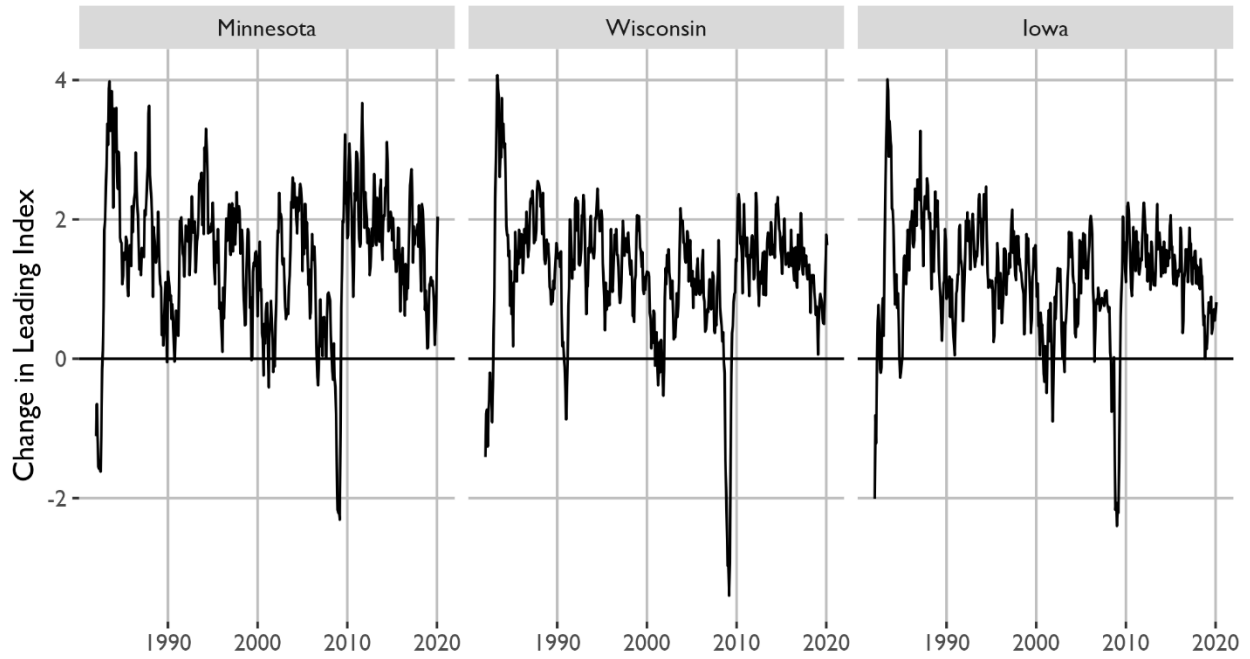


## Resident Population



## Seasonally Adjusted, Employment - Trade, Transportation and Utilities





### U.S. / Euro Foreign Exchange Rate



Source: Board of Governors of the Federal Reserve System

## Dow Jones Industrial Average



Source: S&P Dow Jones Indices LLC

## Fastenal Company





State Bank Financial, dedicated to the economic growth of the region, sponsors this research and community forum to deepen our understanding of regional economic trends to provide tools for decision makers.

*Timothy Kotnour, President & CEO*

*Joe Zoellner, Executive Vice-President*

*Chris Weeks, Executive Vice-President*

*Jill Hamilton, Senior Vice-President*

*Daniel Epstein, Executive Vice-President*



The La Crosse Tribune is a partner in this and many other regional initiatives to promote economic growth. Media coverage extends throughout the region in a network of River Valley Media Group.

*Paul Pehler, President, River Valley Media Group*



UW-La Crosse College of Business Administration contributes faculty and administrative support for this regional initiative. The project team tracks core economic indicators, analyzes trends, and prepares periodic reports.

*Dr. Taggart Brooks, Dean*

*Dr. Timothy Dale, Associate Dean*

*Mary Grattan, Executive Assistant*