BizTimes 2026 Economic Trends – Event Summary

Featured Speakers

- **Michael Knetter, PhD** – Senior Advisor, Investments and Business Development, UW Foundation & Alumni
- **Ryan Festerling** – President & CEO, QPS Employment Group
- **Charles Miller** – Chief Commercial Officer, Evans Transportation
- **Christian Rother** – Chief Financial Officer, Rockwell Automation

Economic Outlook and Market Conditions

Michael Knetter, PhD

Michael Knetter served as the keynote presenter and opened with a review of economic outcomes for 2025.

- The labor market softened toward year-end, with unemployment rising to **4.4%**
- **GDP growth** remained modest at **2.3% year-over-year in Q3**
- **Inflation** stayed elevated but moderated to **2.7%**
- The Federal Reserve has **paused interest rate cuts**
- The **S&P 500 increased 16%** on a nominal basis
- The most notable surprise of the year was the **continued strength and impact of artificial intelligence**

Knetter emphasized that recent GDP growth has been driven largely by **productivity gains from AI and automation**, rather than broad-based economic expansion.

Current Macro Conditions

At a high level, Knetter noted that **six of ten key economic indicators remain positive**:

- Unemployment remains low but is trending upward, with employment growth slowing due to AI adoption and restrictive immigration policies
- Real GDP growth has been resilient, supported by productivity improvements
- Inflation is elevated but stable, hovering just under 3%

- Equity markets and household net worth are at or near all-time highs
- The U.S. dollar has weakened over the past year, though not to a destabilizing degree

Knetter cited data from Michael Cembalest showing that **41 AI-related companies** have driven:

- 75% of S&P 500 returns
- 80% of earnings growth
- 90% of capital expenditure growth

since the launch of ChatGPT in November 2022.

Policy Considerations

Knetter expressed concern that certain policy trends may limit long-term growth and innovation while increasing uncertainty. He highlighted:

- Frequent shifts in trade policy
- A restrictive and punitive approach to immigration that is constraining labor force participation
- Reduced funding for research and higher education
- Challenges to Federal Reserve independence
- Increased reliance on executive orders, making long-term business planning more difficult

He noted that collectively these factors could weigh on economic growth while contributing to **higher inflation and a weaker dollar**. At the same time, he acknowledged positive developments related to **deregulation and tax relief**.

Outlook for 2026

Setting longer-term policy concerns aside, Knetter expects **2026 to closely resemble 2025**, with economic momentum continuing to rely primarily on **AI- and automation-driven productivity gains**. He encouraged companies to accelerate AI adoption, cautioning that prolonged internal deliberation—such as large committees—can slow progress. Instead, he recommended bringing in outside expertise and moving decisively.

Labor Market and Workforce Trends

Ryan Festerling, President & CEO, QPS Employment Group

Festerling reported that QPS has observed a **30% decline in job postings on Indeed**, a platform they closely track as a labor market indicator.

From 2020 to 2025, the average starting wage in manufacturing increased from **$12/hour to $17/hour**. Festerling questioned the sustainability of this pace and noted that rising labor costs further strengthen the **ROI case for automation and AI**.

He emphasized the importance of **employee engagement**, introducing the concept of “job hugging,” where workers remain in roles they find unsatisfying due to fear of change. This dynamic is reflected in the fact that **31% of job offers were declined last year**, far above the historical norm of 4–6%. Festerling noted growing distrust on both sides of the labor market.

He also shared that **personal referrals remain QPS’s top source of placements**, reinforcing the importance of engagement, trust, and workplace culture.

Transportation and Logistics Pressures

Charles Miller, Chief Commercial Officer, Evans Transportation

Miller explained that the current trucking business model is under significant strain. Average revenue is approximately **$1.95 per mile**, while operating costs average **$2.30 per mile**. As a result, companies are reducing maintenance, operating older equipment, and cutting driver compensation—trends that are already leading to **increased safety risks**.

He also highlighted the rising impact of **cargo theft**, which is driving insurance costs higher. Miller noted that transportation prices will ultimately need to rise, contributing to **inflationary pressure**.

Over the past year, Evans Transportation has seen:

- Smaller load sizes, reflecting weaker manufacturing output
- Increased demand for warehousing, as manufacturers maintain production volumes despite slower sales

If these trends persist, Miller warned they will further contribute to inflation.

Manufacturing, Trade, and Innovation

Christian Rothe, CFO, Rockwell Automation

Rothe shared that Rockwell Automation generates **$8 billion in annual sales**, and when combined with key partners, supports a **$50 billion global network**. Growth opportunities are concentrated in **data services, life sciences, and consumer packaged goods**.

Tariffs have had a meaningful impact on operations. Due to its global manufacturing footprint, Rockwell has been able to shift some production to lower-tariff regions, though cost pressures remain. To address this, the company plans to bring more third-party manufacturing in-house.

Rothe announced plans to build a **1 million square foot production facility** within 30 minutes of Rockwell's Milwaukee and Mequon sites, positioning greater Milwaukee as a key beneficiary. He emphasized that innovation is a core company principle and that the U.S. continues to lead globally in this area—one of the primary reasons for investing locally.

Rothe encouraged employees to proactively adapt to AI and automation through **cross-training, upskilling, and leveraging technology to augment human strengths**, noting that individual initiative is the most effective defense against displacement.

Key Takeaways

Overall, the economy remains on relatively stable footing, supported by resilient consumer balance sheets, strong equity markets, and continued productivity gains. However, several current policy directions—while potentially advantageous from a political standpoint—are likely to contribute to **higher inflation, increased uncertainty, and reduced long-term growth and innovation**. According to the keynote presenter, Michael Knetter, these structural pressures suggest that the current period of stability may be more fragile than headline indicators imply. He called on major businesses to encourage policymakers to bring greater stability to trade policy, pursue pragmatic and productive immigration solutions, and sustain funding for research institutions in critical areas.

In the near term, **AI and automation are the primary engines of economic growth**, driving productivity gains across industries and disproportionately contributing to market returns, earnings growth, and capital investment. At the same time, these forces are reshaping the labor market by slowing employment growth in certain roles and accelerating the need for workforce adaptation. As a result, the value of human capital is shifting away from routine tasks and toward skills such as problem-solving, adaptability, and the ability to work alongside advanced technologies.

Inflation remains **elevated but manageable**, and while it has stabilized, it is unlikely to return to pre-pandemic lows in the near future. Cost pressures stemming from labor constraints, transportation inefficiencies, tariffs, and supply-chain adjustments are expected to persist, reinforcing the importance of productivity-led growth rather than cost-driven expansion.

For businesses, the implications are clear. Companies must **accelerate AI adoption** rather than allow internal governance structures or prolonged deliberation to slow progress. The most effective approach is often to engage experienced external experts who can work with a small, empowered leadership group to drive rapid implementation. At the same time, organizations need to invest intentionally in **employee engagement, cross-training, and upskilling**, enabling workers to evolve with changing business needs and leverage their uniquely human strengths. Firms that combine decisive technology adoption with strong workforce development will be best positioned to navigate a slower-growth, higher-cost, and increasingly automated economic environment.