

# **An Overview of Economic Conditions in Iowa**

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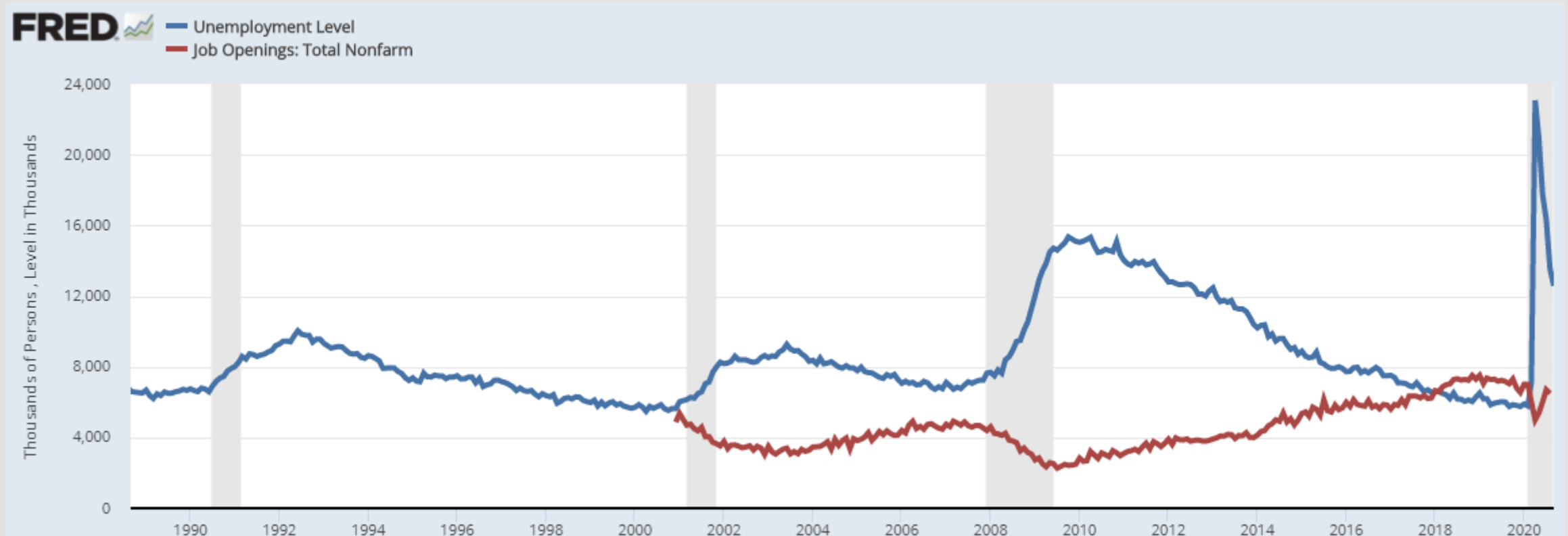
# What to Cover?

- Pre-pandemic and post-pandemic economy
  - National economic situation
  - Iowa's economic situation
- A look at the industries in Iowa affected the most by the pandemic
- A quick look at the ag situation
- A discussion of unemployment and the consequences for labor supply
- Have spatial (metro / nonmetro) distinctions emerged?
- Q&A

**Nationally, prior to the pandemic and recession, the U.S. economy had enjoyed unprecedented continuous job growth**



# Nationally, we'd entered a period where the number of job openings exceeded the number of unemployed



# Real (inflation adjusted) GDP grew through the 4<sup>th</sup> quarter of 2019, and ...



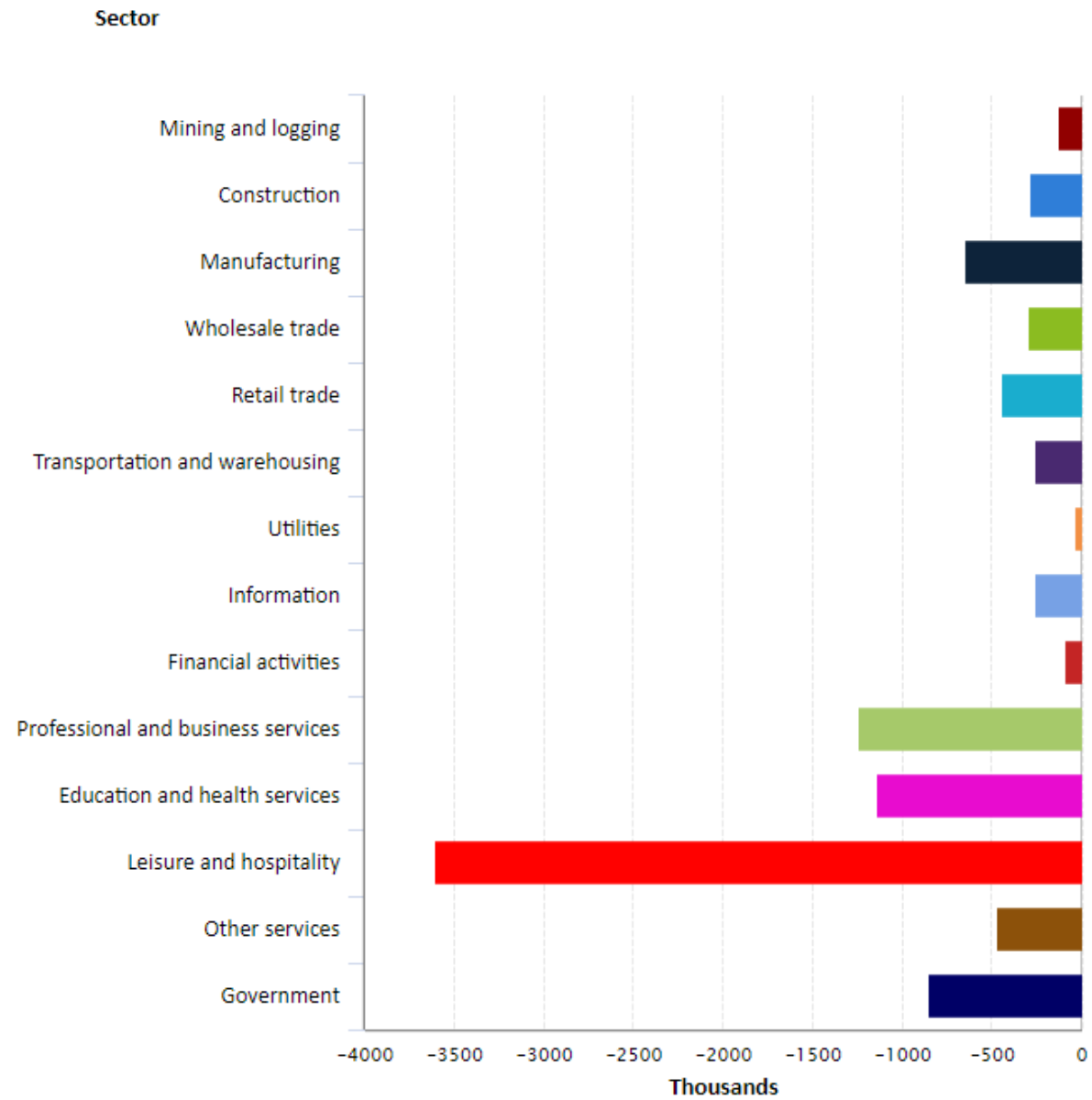
# Real personal consumption spending, too, continued to rise steadily





### Employment change by industry, September 2020, seasonally adjusted, 12-month net change

Click on bars to drill down





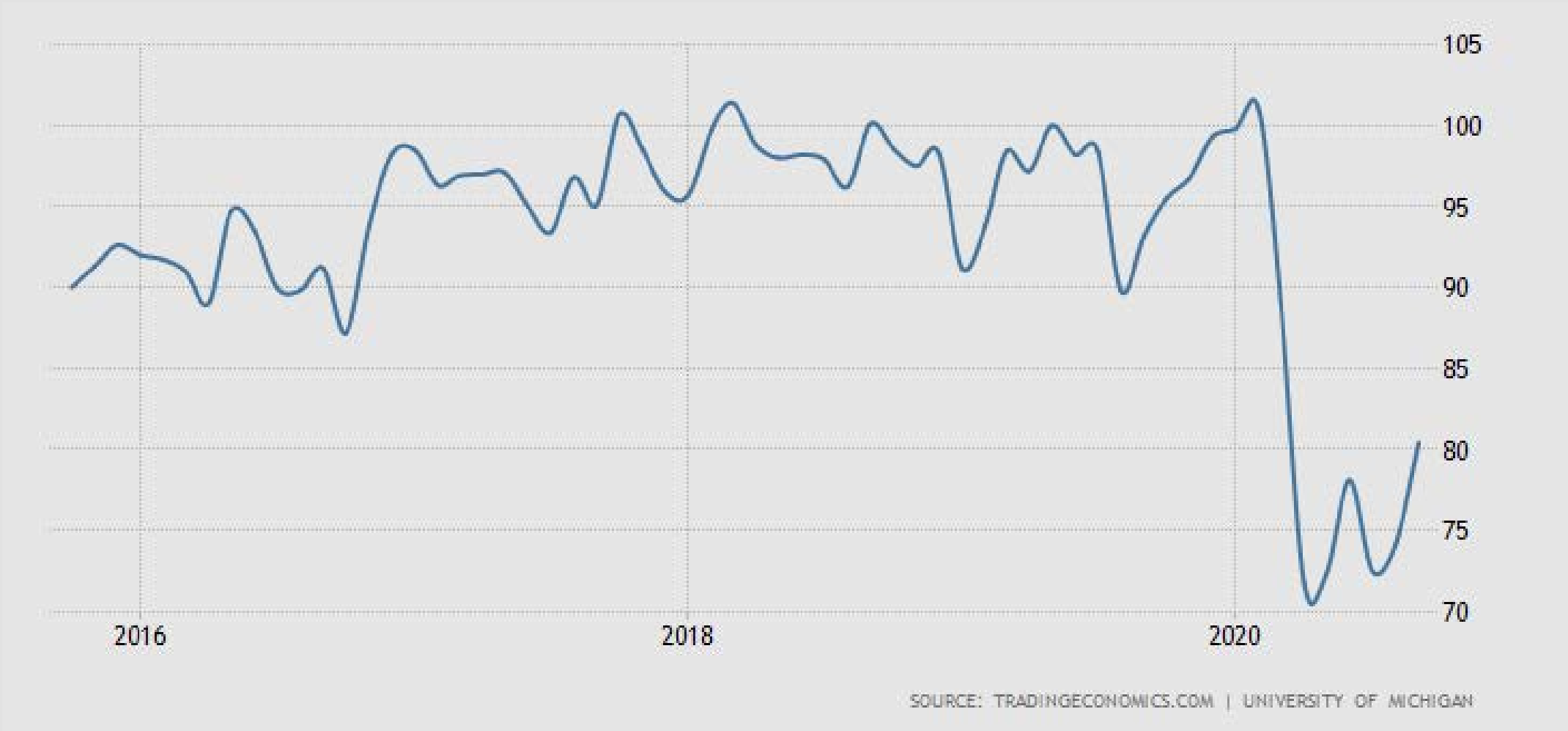
## **U.S. Pre-Pandemic**

- Sustained growth
- Lowest recorded unemployment
- Participation rate growth potential signaled future growth
- Low borrowing costs
- Low inflation
- Real wage growth (with exceptions)
- Problems in the ag sector and portions of manufacturing due to trade wars
- Despite erratic and unproductive trade policies, growth nonetheless

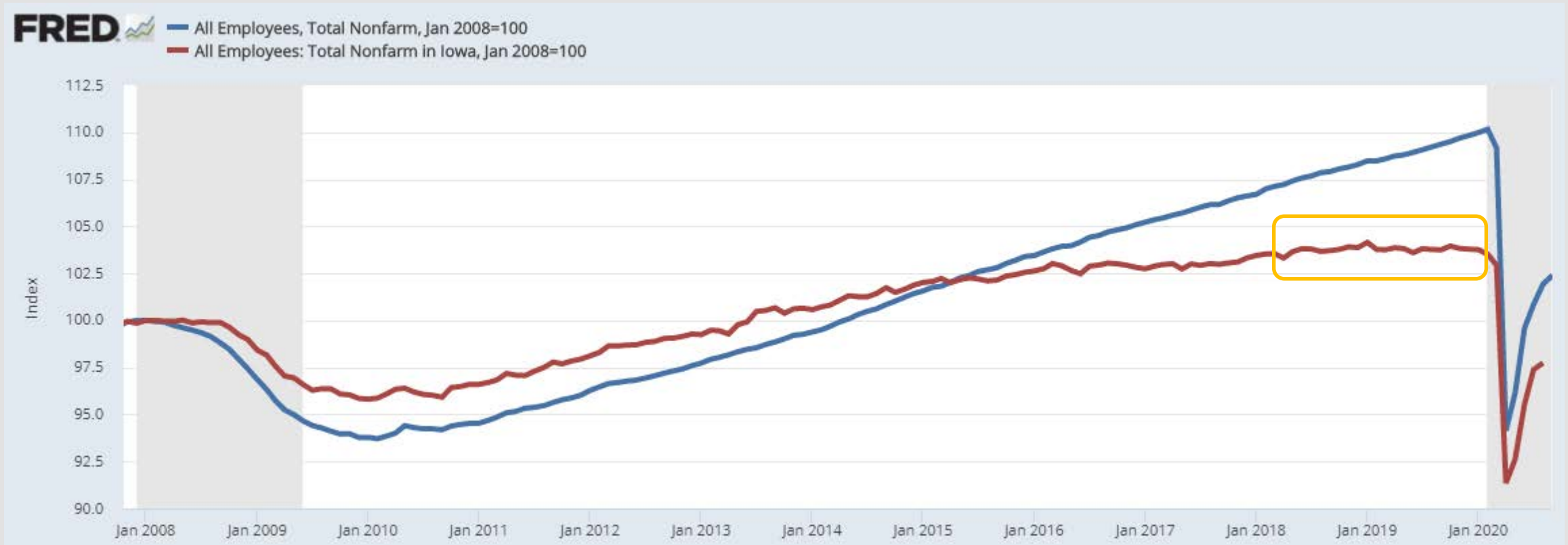
## **U.S. Post-Pandemic**

- Completely erased many years of job growth
- Highest post Depression unemployment rate
- Strong structural damage to the economy (entertainment, travel, entrepreneurship)
- Unprecedented public spending in support of households, businesses in general, and sets of targeted industries
- Strong shifts in consumer preferences and erosions in consumer confidence

# University of Michigan's U.S. Consumer Sentiment

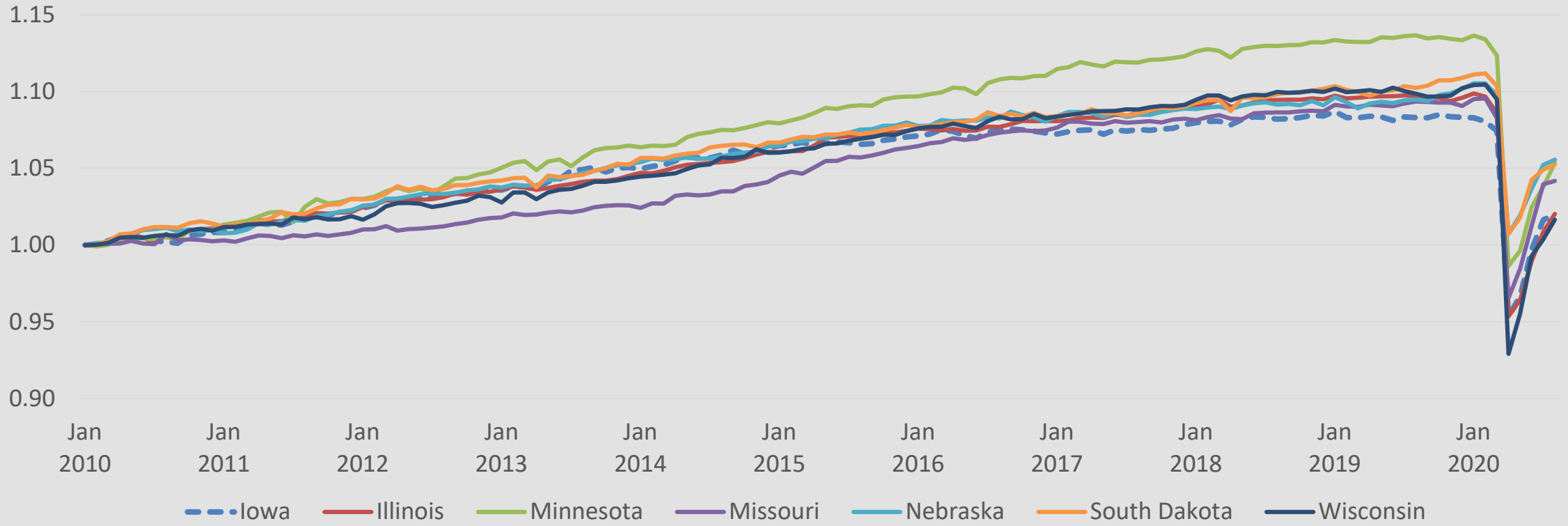


# What about Iowa? Iowa recovered faster from the Great Recession, but then stalled at the end of the decade



# In fact, Iowa grew more slowly than all of its neighboring states this decade

Index of payroll job growth, January 2010 Through August 2020, Iowa and it's Neighbors (Jan 2010 = 1.0)



# Nonetheless, Iowa and all of its neighbors contracted sharply and have only partially recovered\*

Pandemic Driven Initial and Most Recent Job Impacts		
	Initial Contraction (April Compared to January)	Recovery (August Compared to January)
Iowa	-12.0%	-5.8%
Illinois	-13.2%	-7.1%
Minnesota	-13.2%	-7.3%
Missouri	-11.8%	-4.9%
Nebraska	-8.9%	-4.5%
South Dakota	-9.3%	-5.3%
Wisconsin	-15.9%	-7.9%

\* These figures do not include employment losses affecting gig workers, other independent contractors, and business proprietors personally

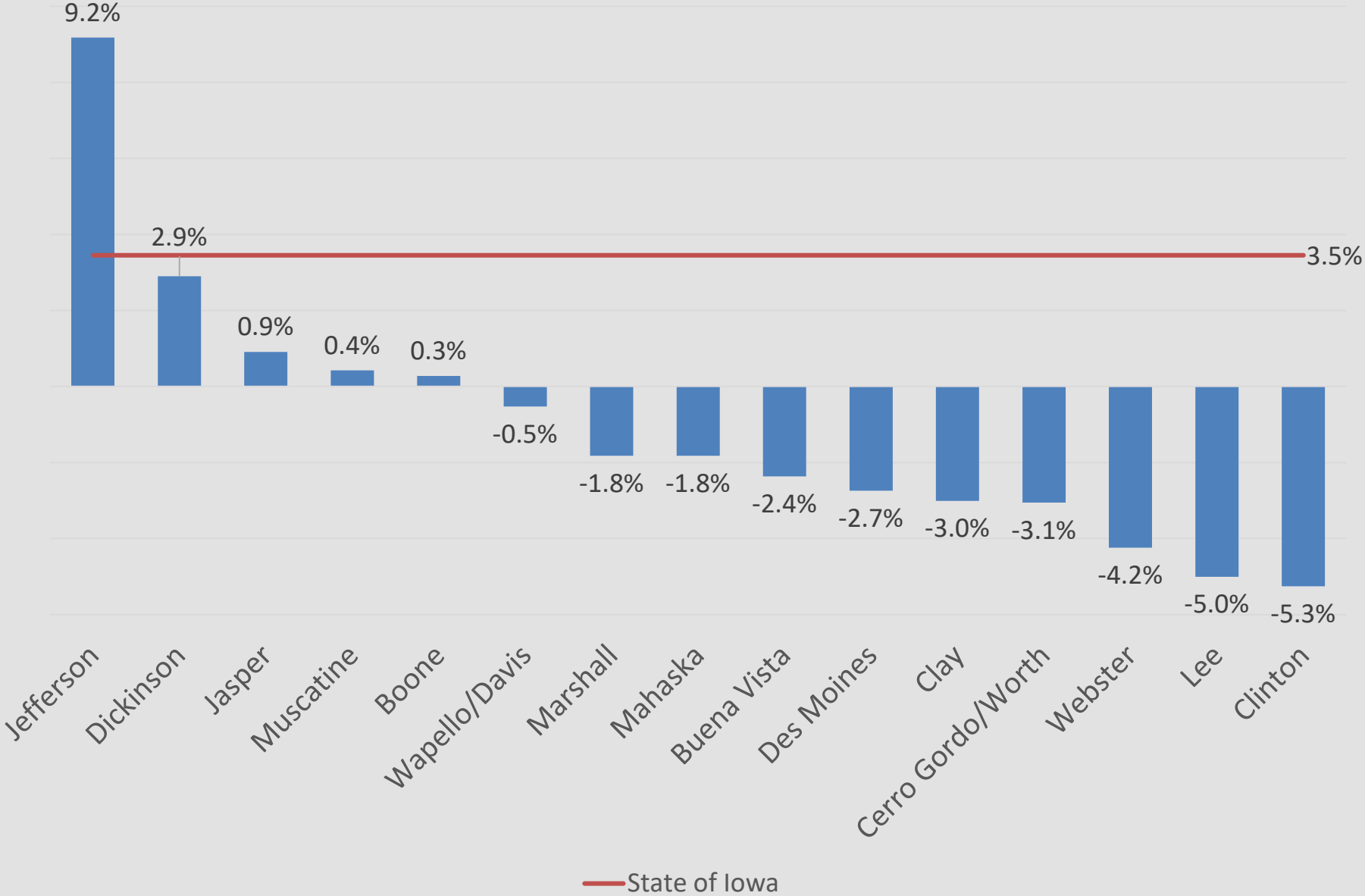
## Iowa Pre-Pandemic

- Flat to no growth
- Lowest recorded unemployment
- Substantial differences between metro and nonmetro performance
  - Quite wide range of growth within metros
  - 2/3rds of micro cities / counties contracting
- Ag sector damaged significantly from U.S. trade policies and increasingly reliant on public support
- Manufacturing, though, had grown to nearly the level it was at prior to the great recession

## Iowa Post-Pandemic

- Like everyone else, completely erased many years of job growth
- Resulting in widespread unemployment affecting a much wider range of workers / proprietors than a typical recession
- Some industries, like agriculture, have not had strong employment losses
- Many of Iowa's more rural counties have not suffered strong employment losses
- Mid-sized counties look to have contracted the most

# Iowa Micropolitan Area Population Change, 2010 to 2018



# Back to massive unemployment

## UNEMPLOYMENT INSURANCE INITIAL CLAIMS

MARCH 15 - October 3, 2020

### HIGHEST REPORTED INDUSTRIES

MANUFACTURING:

**91,352**

ACCOMMODATIONS AND FOOD SERVICES:

**58,999**

HEALTH CARE AND SOCIAL SERVICES:

**57,560**

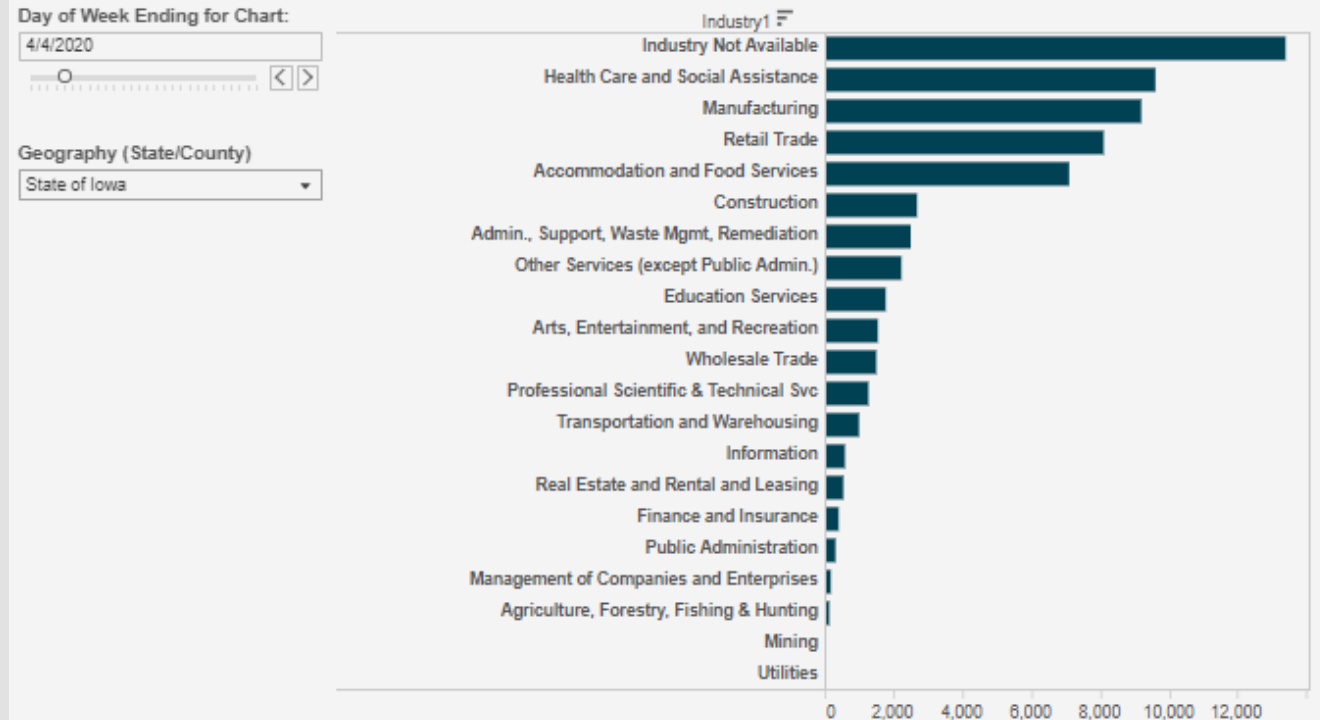
RETAIL TRADE:

**40,856**

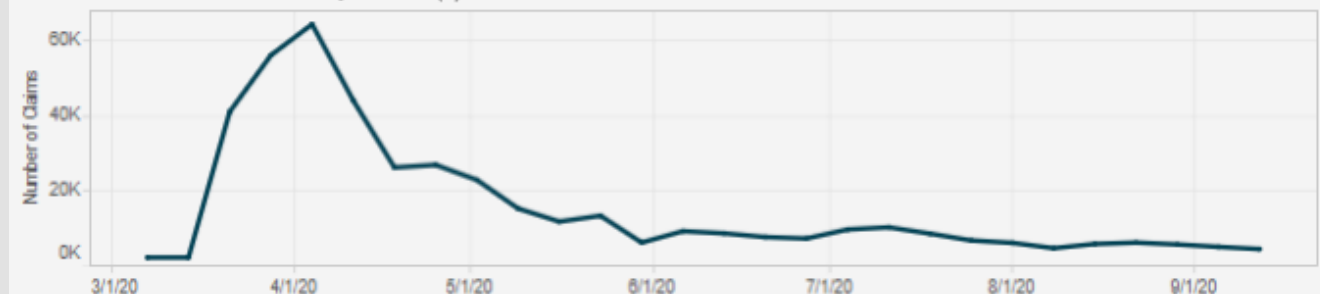
TOTAL ALL INDUSTRIES:

**322,435**

Initial Claims by Industry Sector for in Week Ending Date 4/4/2020  
(filter the line chart by selecting industries in the bar chart)



Initial Claims for All Industry Sector(s)





# Distribution of nonfarm job losses as of August

Composition of Iowa Nonfarm payroll Job Losses Comparing August with January		
	Jobs in Thousands	Percent of Total State Losses
Total Nonfarm*	-92.0	100.0%
Leisure & Hospitality	-31.9	34.7%
Government	-10.6	11.5%
Construction	-10.0	10.9%
Education & Health Svcs	-9.4	10.2%
All Other Industries	-7.1	7.7%
Durable Mfg	-5.7	6.2%
Other Svcs	-5.7	6.2%
Retail	-4.3	4.7%
Wholesale	-2.6	2.8%
Professional & Business Svcs	-2.3	2.5%
Financial Svcs	-1.8	2.0%
Information	-1.3	1.4%
Nondurable Mfg	0.7	-0.8%
* Important: These numbers do not include farm workers or farm and nonfarm proprietors		

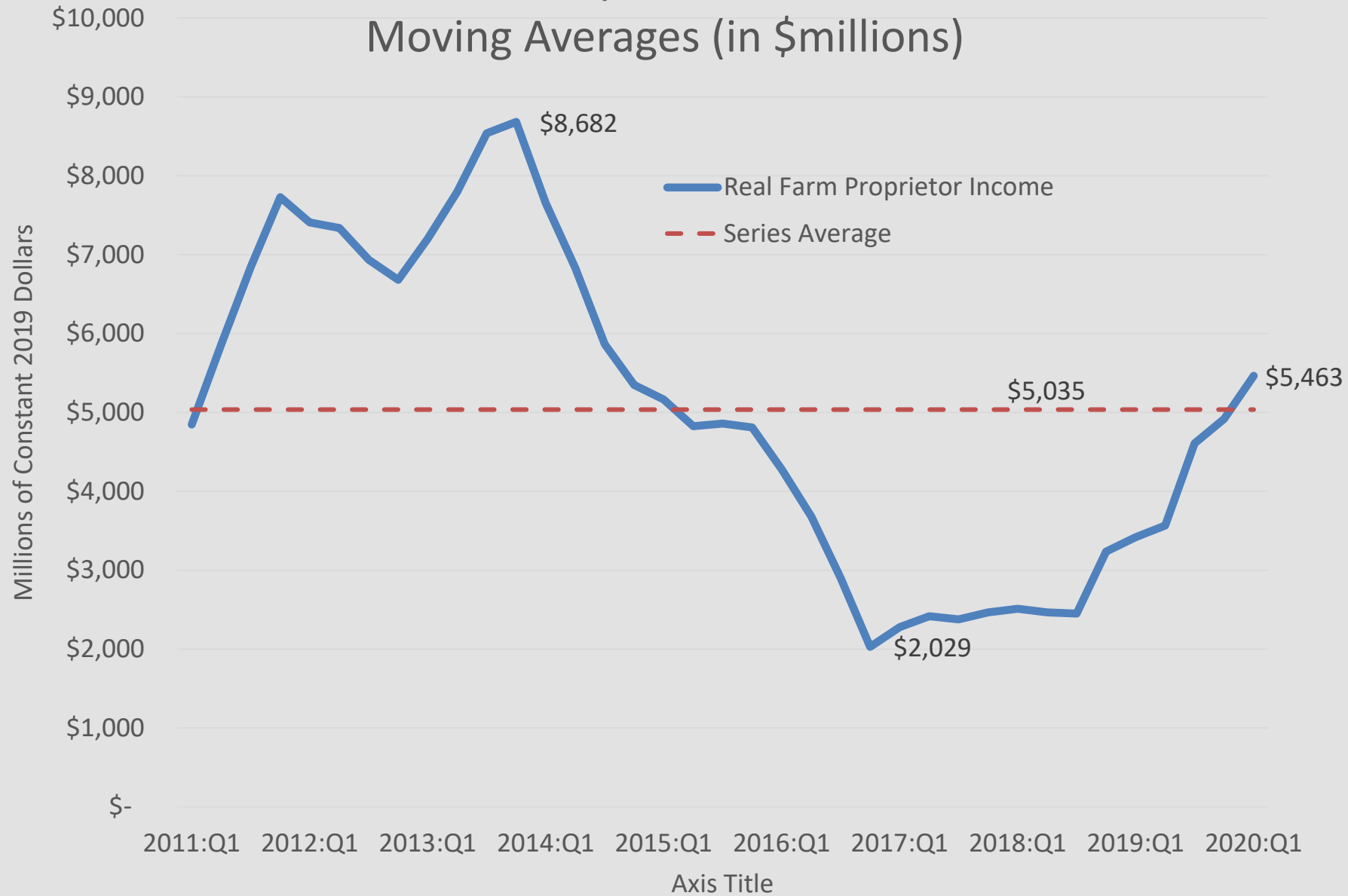
# Are there sectors relatively unscathed or which recovered substantially?

- Nondurable manufacturing broadly and food manufacturing in specific.
- Comparatively minor declines in some durable goods sectors like fabricated metals and ag and construction machinery mfg (although their outlook doesn't look strong)
- Substantial recovery in retail sales jobs, especially
  - Food and beverage stores
  - General merchandise (WalMart, Target, Dollar General)
  - Home improvement stores
- Insurance carriers
- Real estate and rental and leasing services
- Federal employment (Census) and state government employment

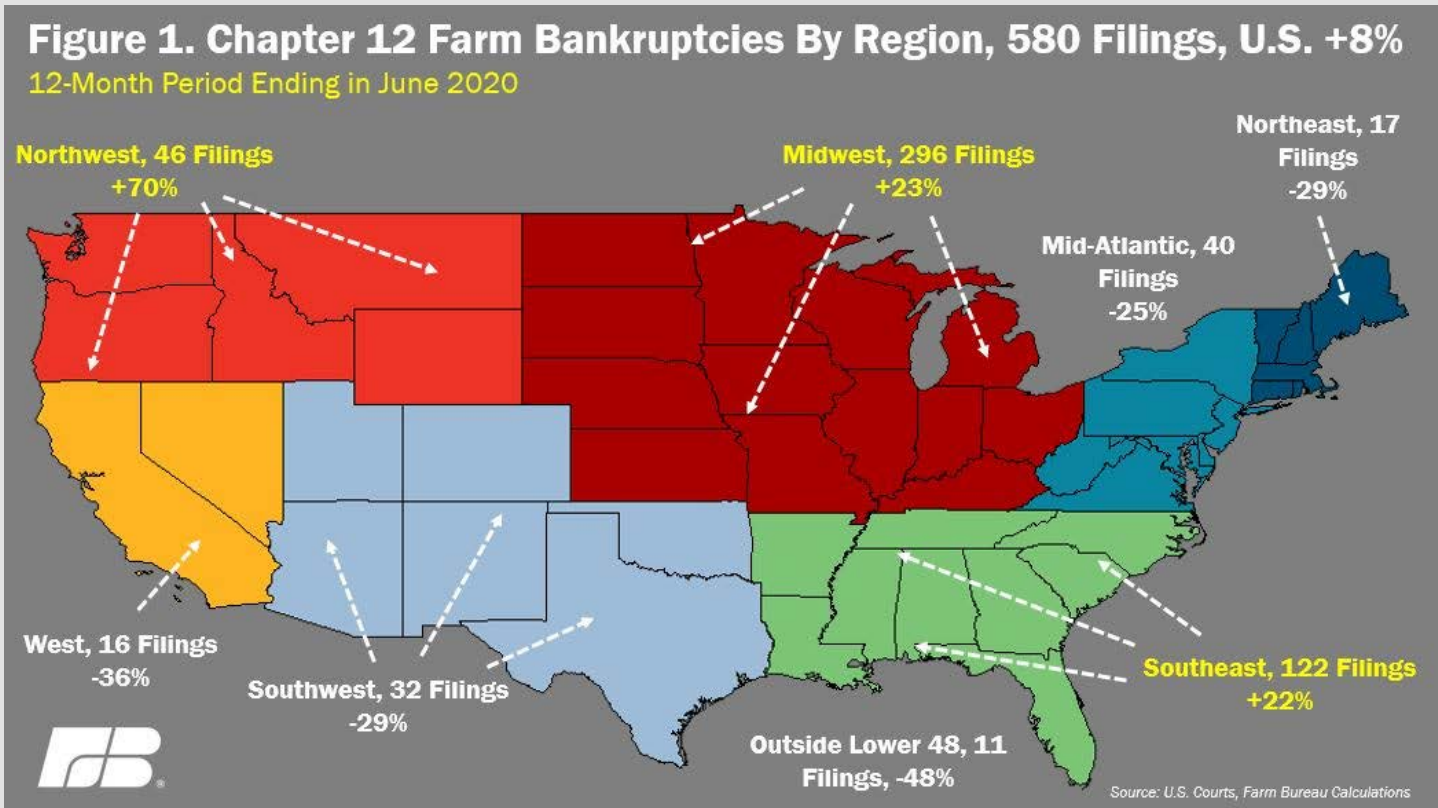
# Irrespective of the pandemic, what is going on in agriculture?

- Weather events plus some trade expansion have boosted prices of late; corn is about at prices realized a year ago, and soybeans have recovered to pre-trade war levels
- Substantial yield losses or whole crop losses from derecho plus drought. Full impacts yet to be realized, but >90% of farmers have crop insurance.
- Very large fraction of farm income over the past six quarters is attributable to federal government payments

# Iowa Real Farm Proprietor Income, 4-Quarter Moving Averages (in \$millions)



# Re-emerging concerns about farmer solvency



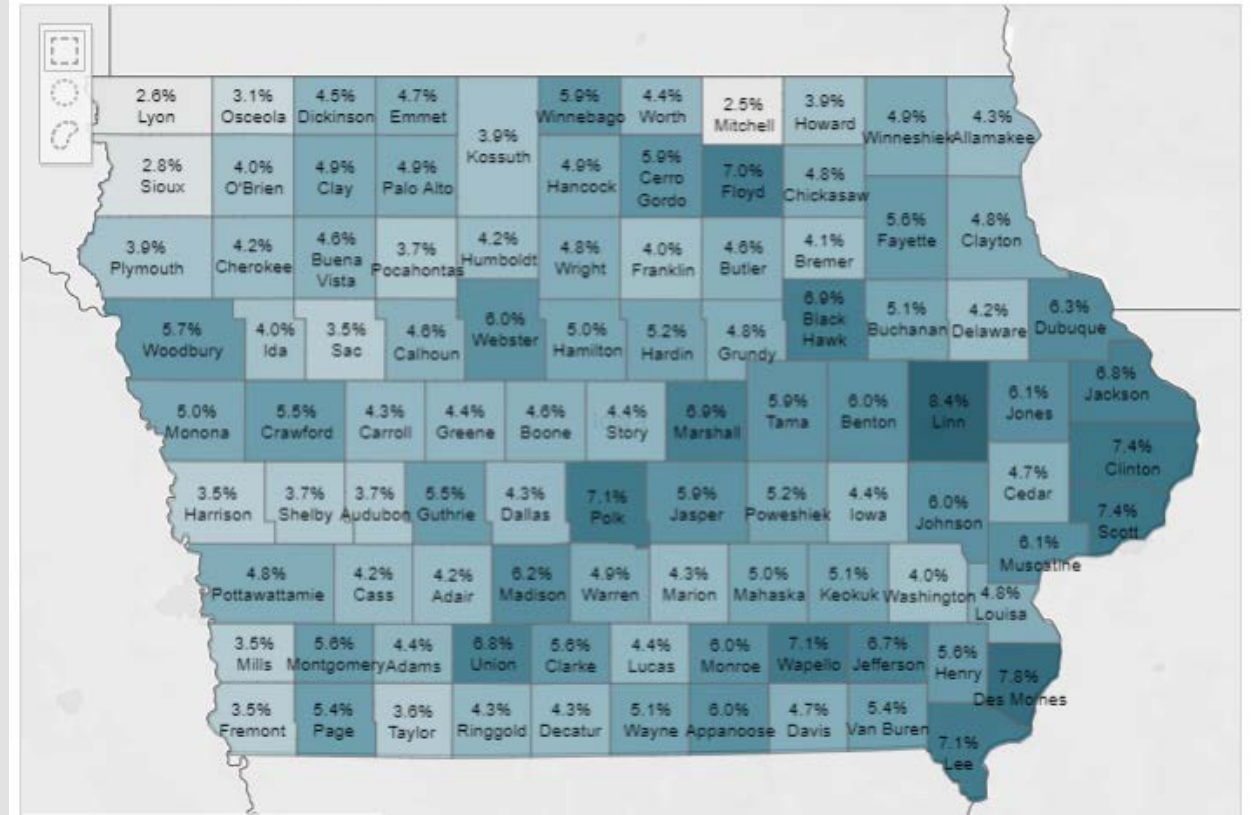
- Context
  - Annual filings in the Midwest = 296
  - Total farm proprietors in Midwest = 632,511
  - Percent filing = 0.046%
- There is stress in agriculture, but it is not the kind of stress realized in the 1980s
- And the huge flow of federal payments have eased much of the earlier stress

# Not a lot of differences in pandemic consequences by level of urbanization

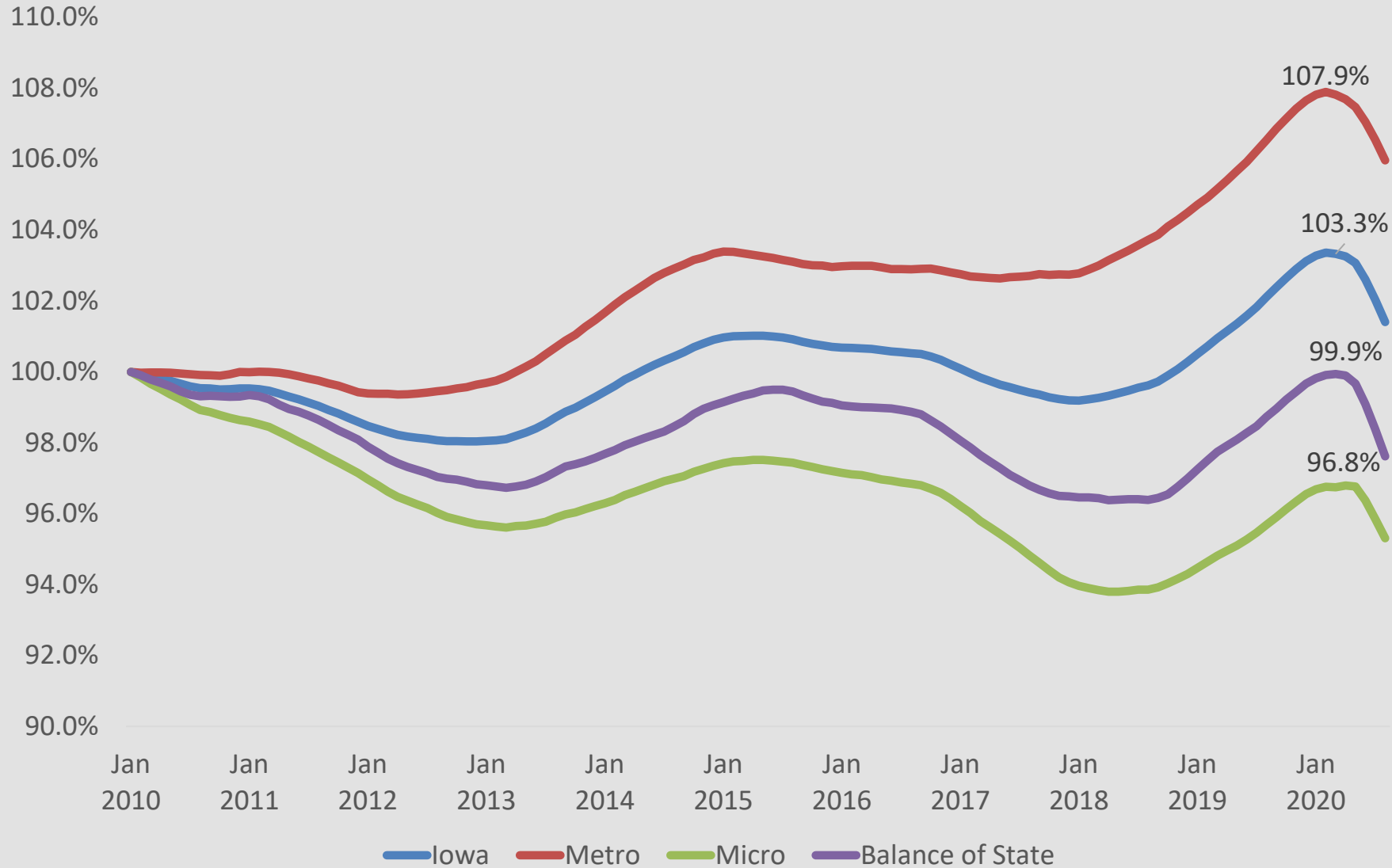
## Pandemic Employment Impacts by Urbanization

	January to April Job Change	January to August Job Change
Iowa	-12.0%	-5.8%
Metros	-11.8%	-5.6%
Nonmetros	-12.2%	-6.1%

Map of Unemployment Rate (%) in August 2020 (Statewide: 5.9%)  
(Not Seasonally Adjusted) Filter the line chart by selecting counties on the map



# Iowa Labor Force Growth by Level of Urbanization, 12 Month Moving Averages, January 2010 = 100%



# Outlook

- There will be no full recovery until the pandemic is brought under control and the risks of association in work and socially are minimized.
- The CBO assumes
  - a -5.9% reduction in real GDP in 2020
  - a +4.8% rise in real GDP in 2021
  - So, real expansion in the economy is not expected until 2022

And

U.S. unemployment averaging 10.6% in 2020, 8.4% in 2021, and 7.1% in 2022

- Rent / mortgage related housing and commercial establishment displacement is and will continue to be a large problem
- The business failures will rise considerably, especially in harder hit sectors and among small operations and sole proprietorships
- It is likely that more diversified, urban economies will recover substantially, but there is no meaningful economic recovery separate from pandemic management
- Iowa has stability advantages in agriculture and nondurable manufacturing (plus a comparative absence of tourism-related industries). Most of the remainder of the economy, however, will likely behave much like national averages



**QUESTIONS?**

**You are welcome to contact me at  
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