

An Overview of Economic Conditions in Iowa

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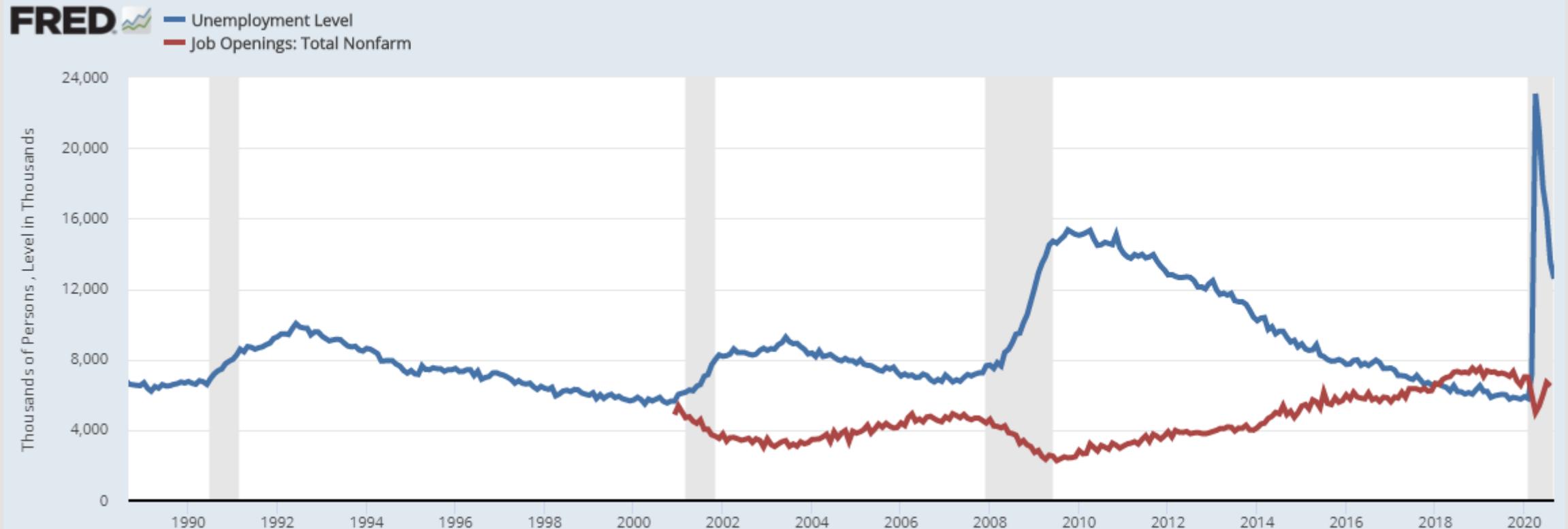
What to Cover?

- 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 4th quarter of 2019, and ...

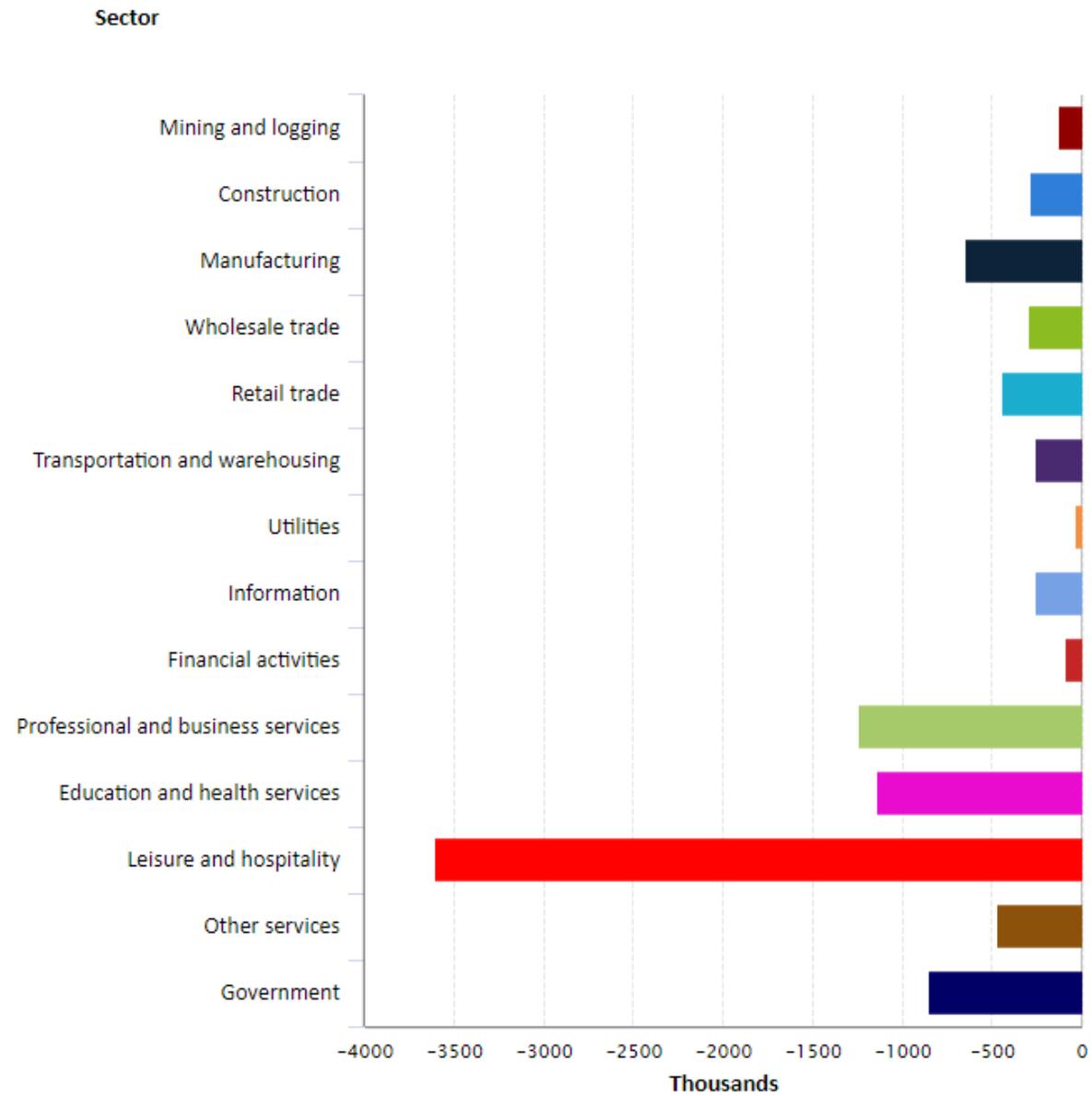


Real personal consumption spending, too, continued to rise steadily



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

Click on bars to drill down



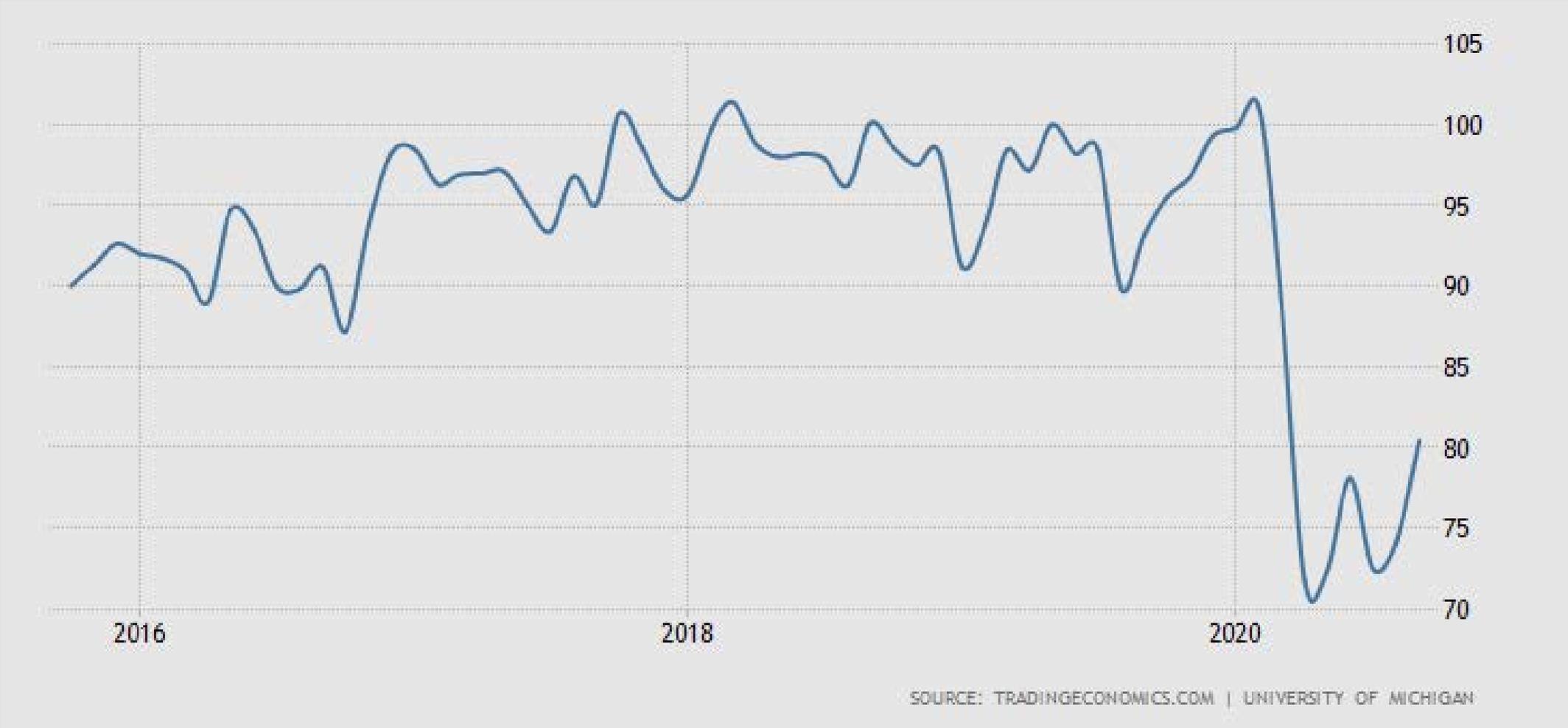
U.S. Pre-Pandemic

- 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

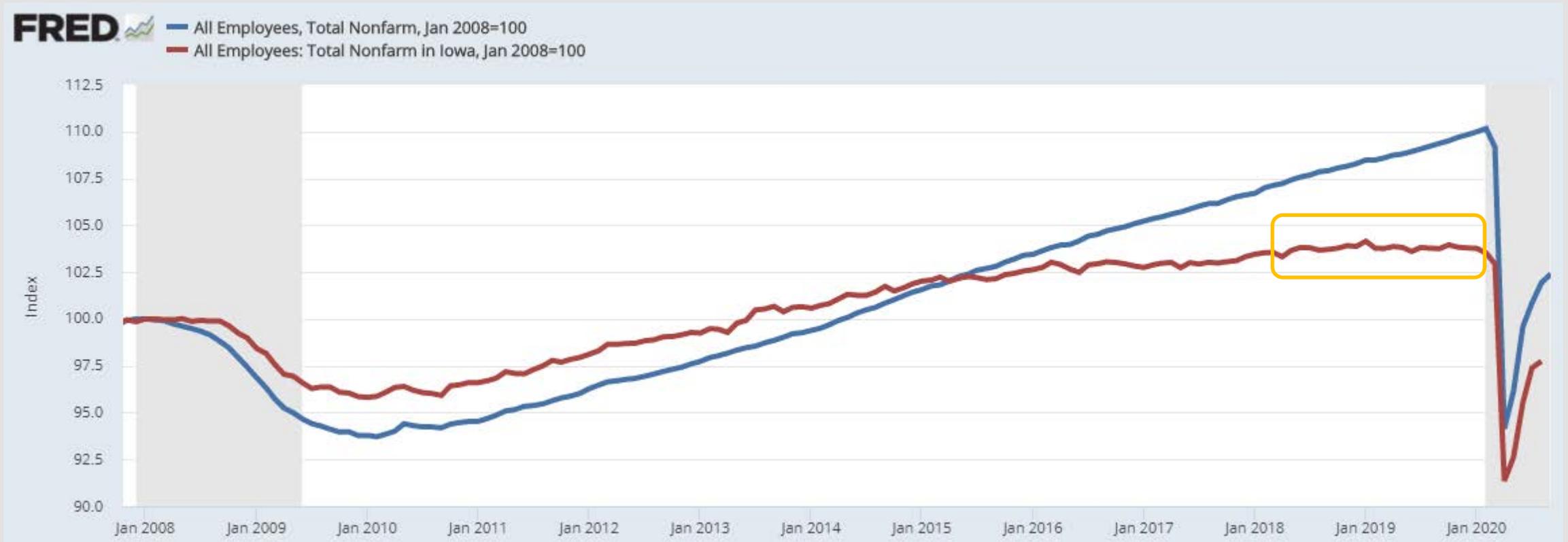
U.S. Post-Pandemic

- 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



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

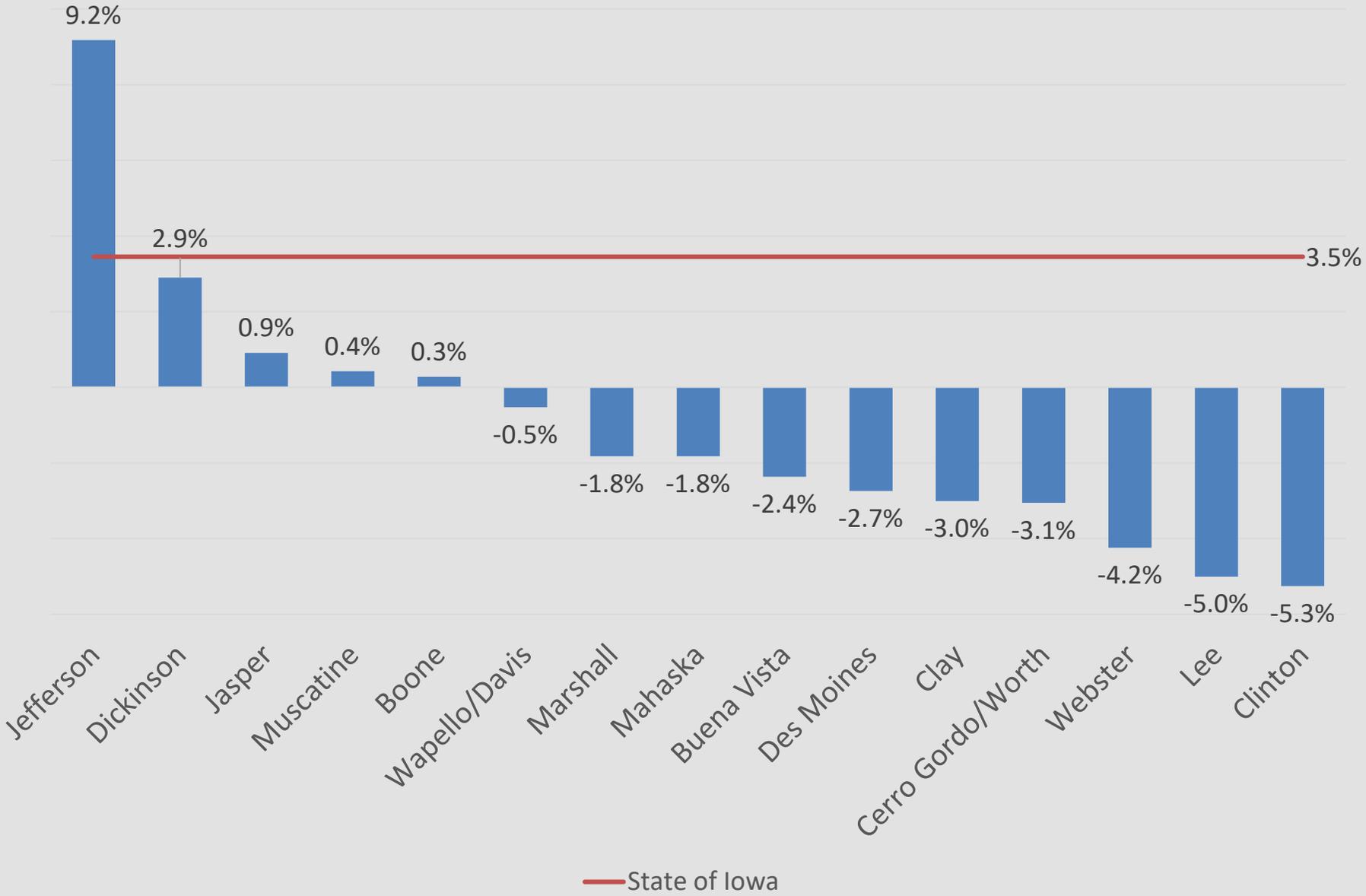
Iowa Pre-Pandemic

- 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

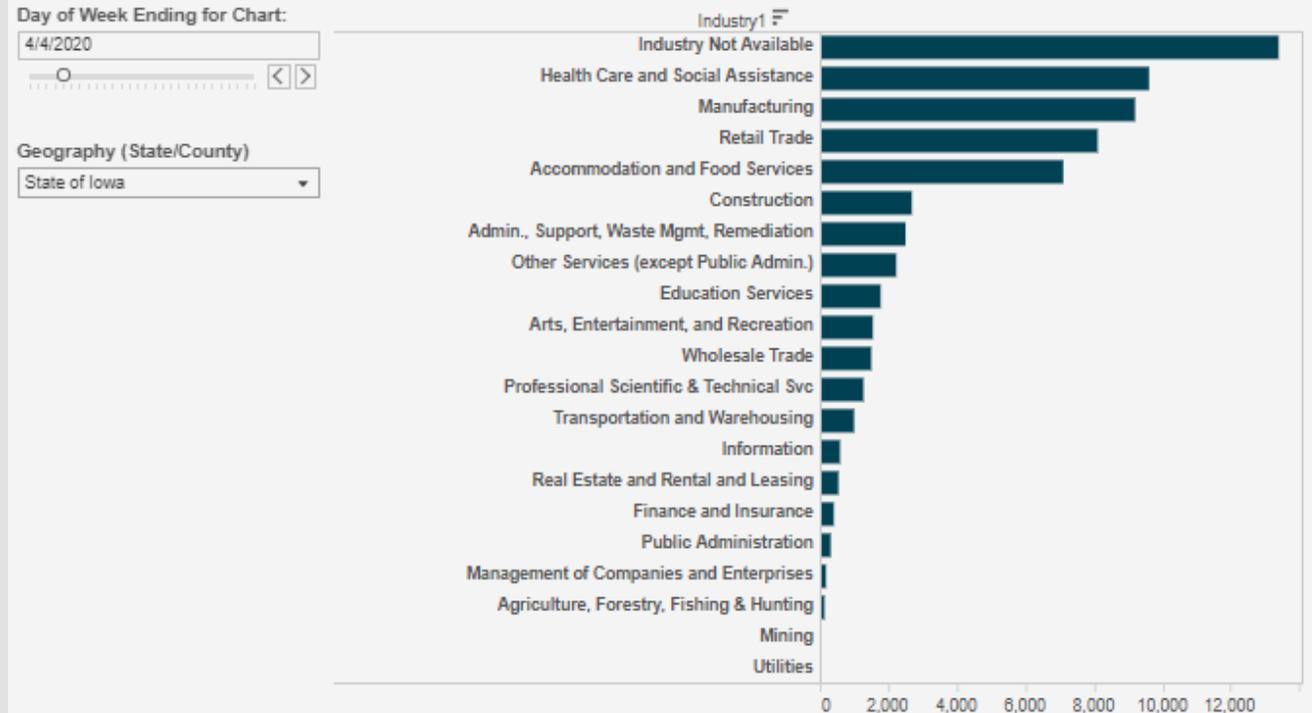
RETAIL TRADE:

40,856

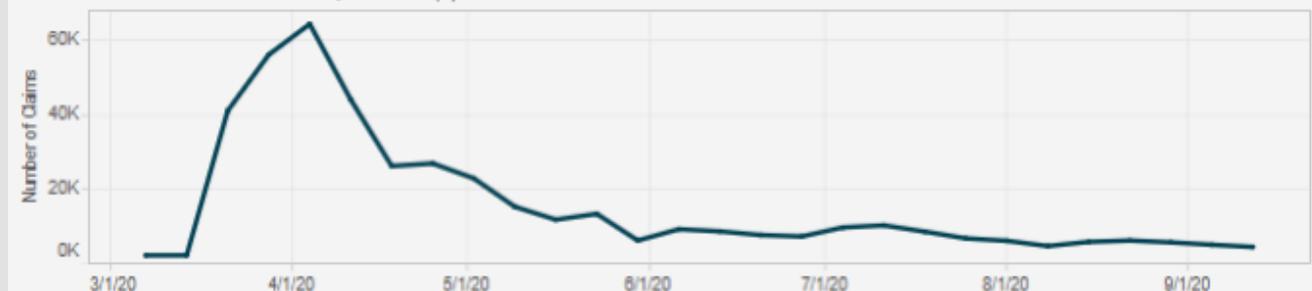
TOTAL ALL INDUSTRIES:

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

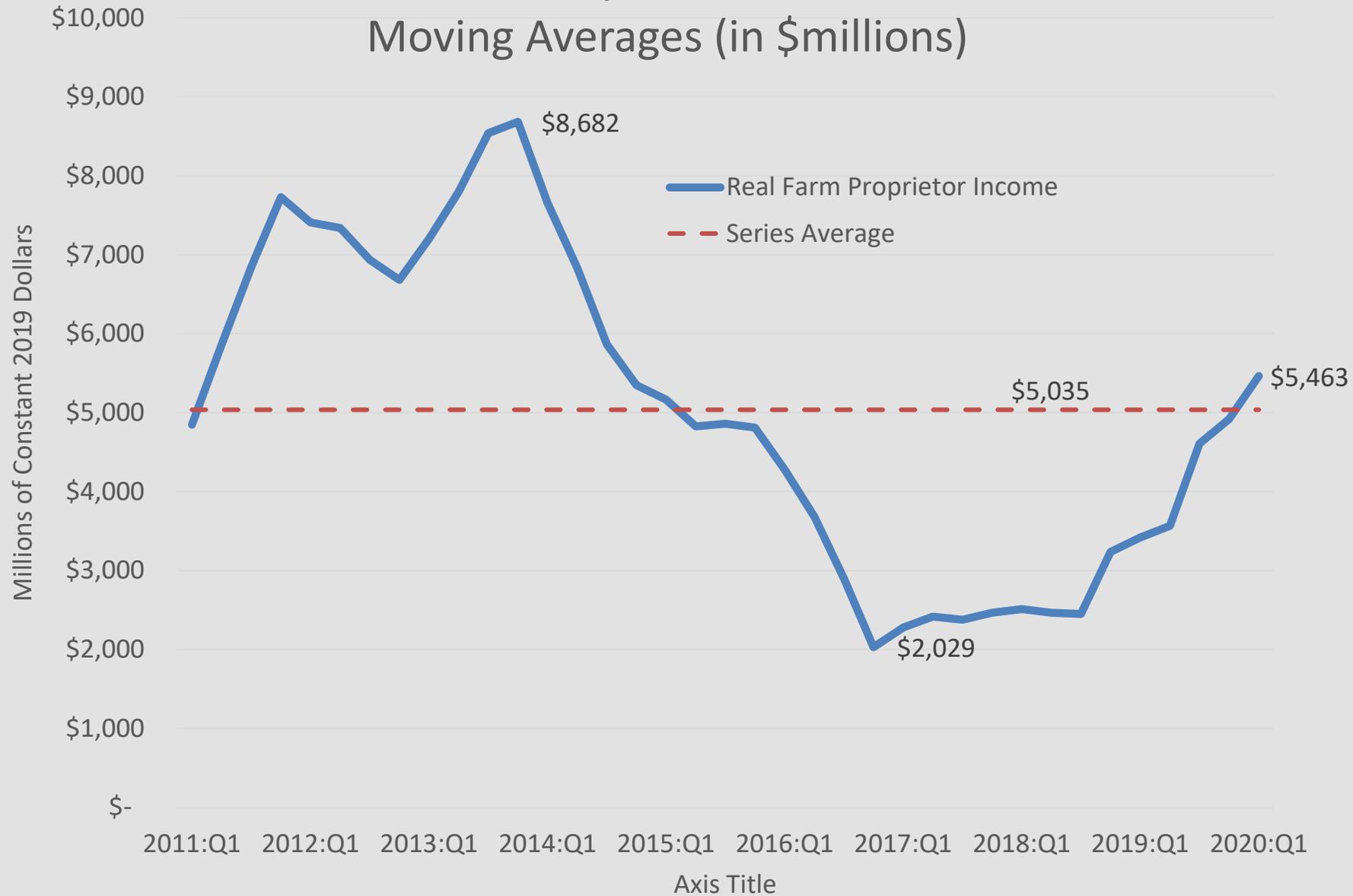
Are there sectors relatively unscathed or which recovered substantially?

- 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

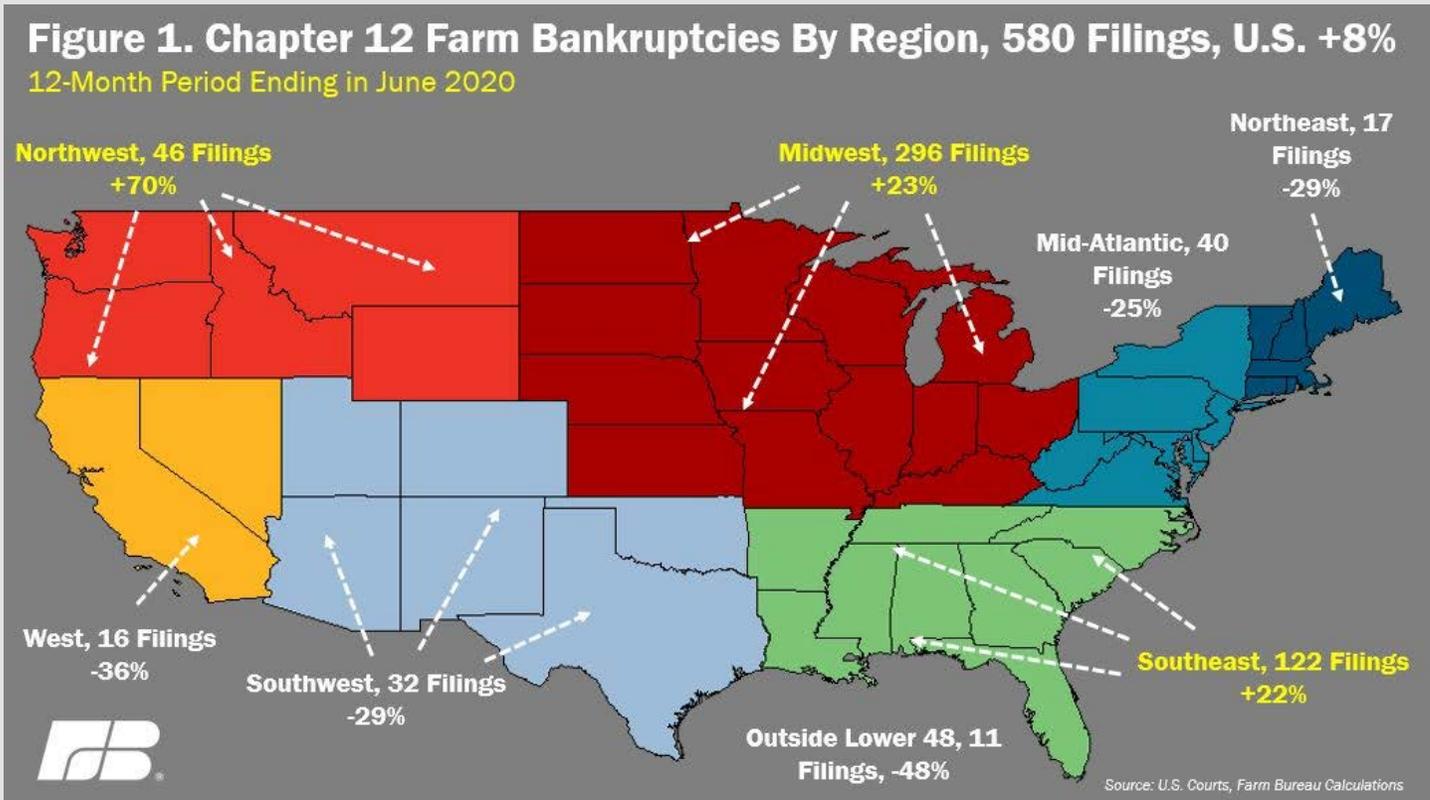
Irrespective of the pandemic, what is going on in agriculture?

- 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)



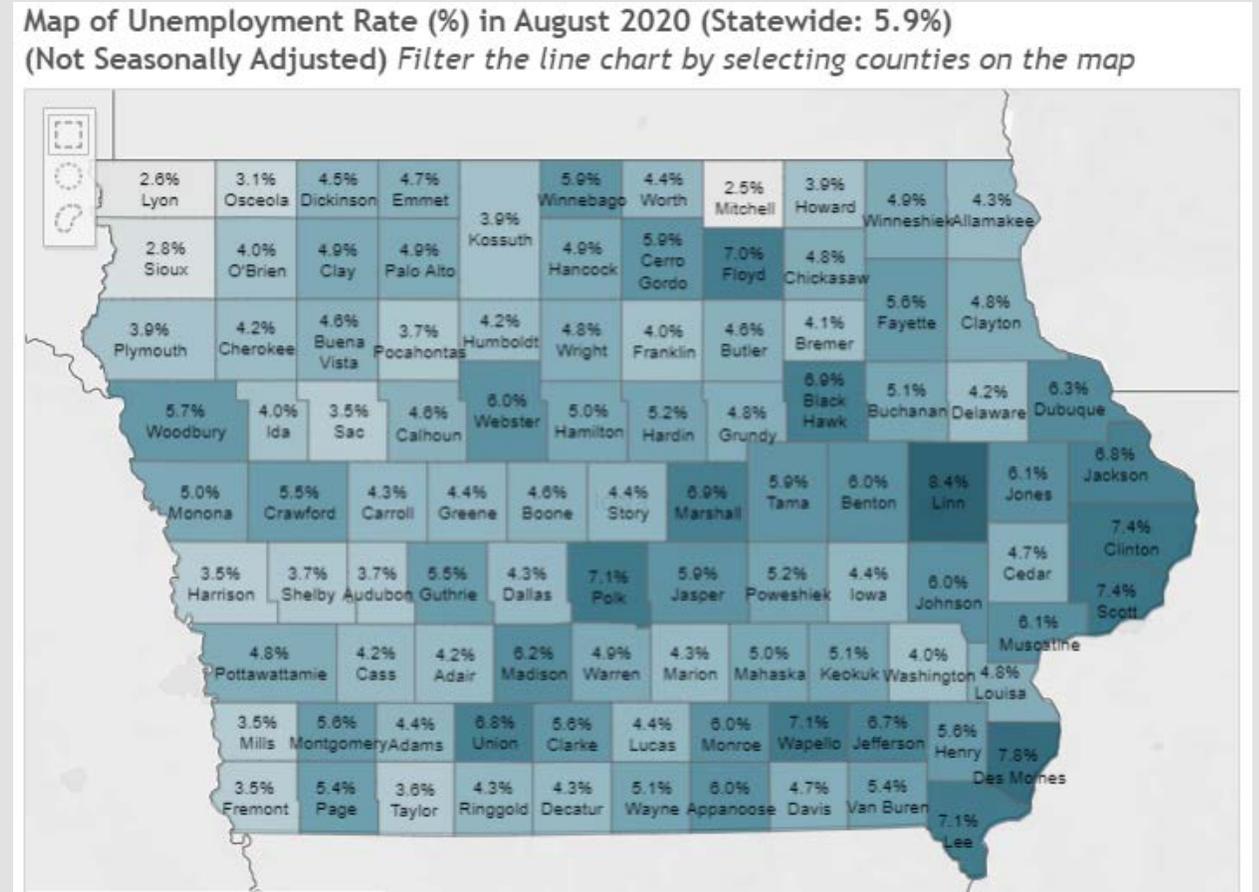
Re-emerging concerns about farmer solvency



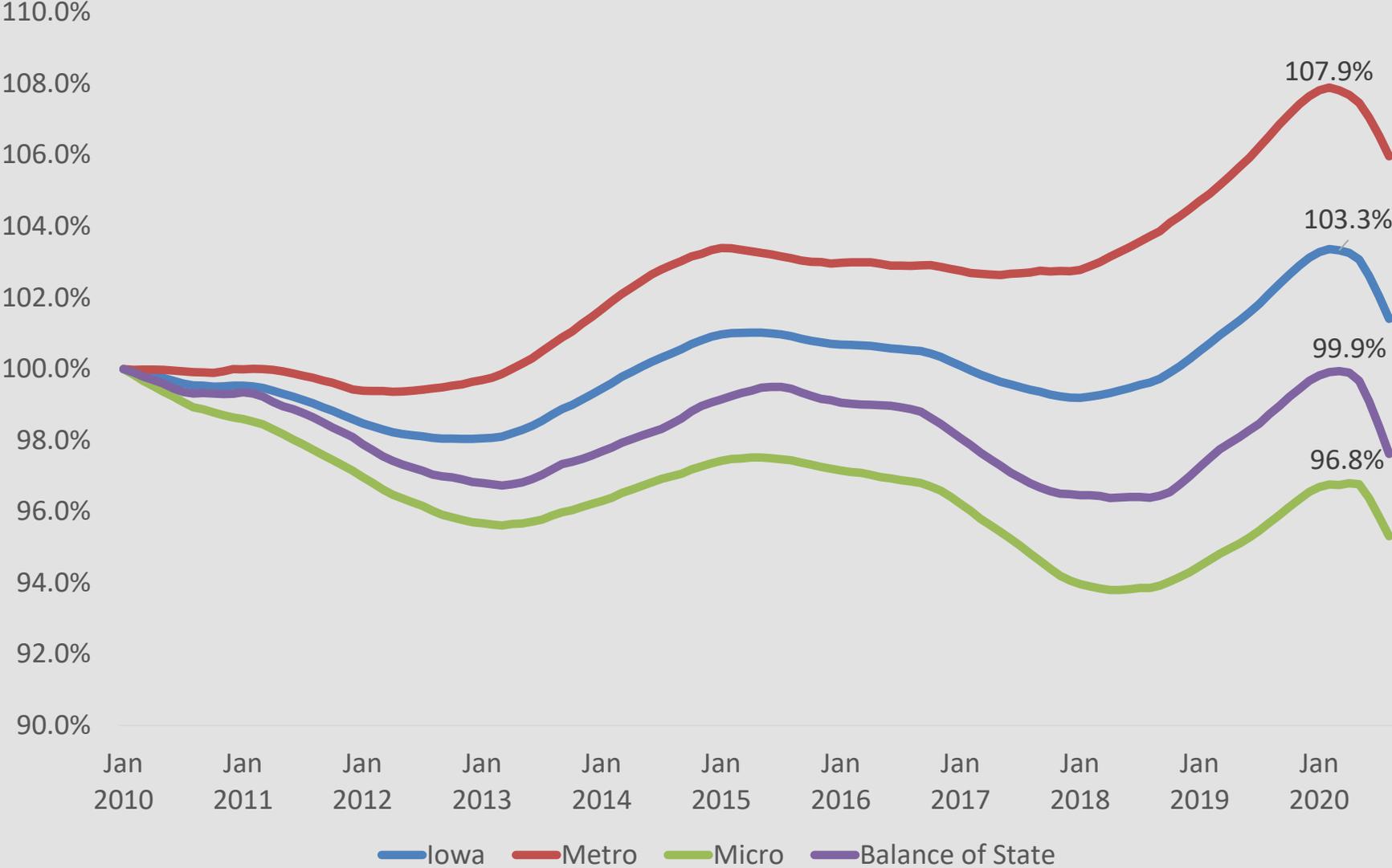
- Context
 - Annual filings in the Midwest = 296
 - Total farm proprietors in Midwest = 632,511
 - Percent filing = 0.046%
- There is stress in agriculture, but it is not the kind of stress realized in the 1980s
- And the huge flow of federal payments have eased much of the earlier stress

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%



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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