

Status of the Iowa Economy and Job Outlook

Jude E. Igbokwe, Ph.D.

LMI Director

Iowa suffered its deepest recession-related layoffs during fourth quarter 2008 and first quarter 2009 as a result of the recent national recession that began in December 2007. Despite the economic slowdown, for 2009, Iowa had the fourth-lowest unemployment rate in the nation at 6.0 percent as compared to a U.S. rate of 9.3 percent. Three Midwestern states had lower rates: North Dakota (4.3%), Nebraska (4.6%) and South Dakota (4.8%). At 6.0 percent, Iowa had one of the lower jobless rates in the region in 2009. For 2009, Iowa's male unemployment rate averaged 7.2 percent compared to a female rate of 5.4 percent. Large layoffs in the male-dominated industries of construction and manufacturing caused the disparity. The recession hit the state's younger workers particularly hard. This can be explained by the fact that construction and manufacturing are heavily unionized, and this offers protection to workers with seniority when layoffs occur.

For the first five months of 2010, Iowa's unemployment rate averaged 6.7 percent compared to a U.S. rate of 9.7 percent. For second quarter 2010, the long-term unemployed (unemployed 27 weeks and over) accounted for 35 percent of Iowa's unemployed.

Currently, Iowa's employers are still reluctant to hire. The recent BP oil spill and the European financial crisis have added even more uncertainty. Employers are also unsure about the ultimate costs of health care reform and pending energy regulations.

Iowa's nonfarm employment reached a peak of 1,524,400 in 2008. Manufacturing accounted for about 51% of Iowa's job loss in 2009. Education and health and local government were the only sectors to add jobs in 2009. The housing downturn reduced the demand for a number of construction-related products (construction equipment, appliances, furniture, doors and windows), with key manufacturing companies in the State announcing layoffs early in the recession. The drop in discretionary spending decreased the demand for durable goods products, such as RVs. Manufactured goods represented 89.5% of the \$9 billion in exports that Iowa sent to other countries in 2009. Machinery, processed foods, and chemicals were the state's leading export products. Job losses in the Midwest were most severe in the states that border the Great Lakes. Layoffs in the auto industry are reflected in the manufacturing job cuts for Indiana, Michigan, Ohio and Wisconsin. However, some of these events were the result of company restructuring and relocations.

Despite all these issues, the future looks bright with the Iowa Leading Indicators Index rising to 100.0 in May 2010, extending the streak of positive changes in the index to eight months according to the latest Department of Revenue forecast. Six of eight Iowa Leading Indicators Index components contributed positively. The negative contributors were the national yield spread and the agricultural futures price index.

Current positive signs and future outlook indicate good things to come. According to news reports for example, IBM opened a technology service delivery center in Dubuque in fall 2009 and will eventually create 1,300 high-paying technology jobs. Google opened a data center in Council Bluffs in May 2009 and will eventually employ 200 workers at an average of \$50,000 a year. Microsoft will open a modular datacenter in West Des Moines in early 2011. This facility will employ 25. Pioneer Hi-Bred will expand research facilities in Johnston, Iowa and hire 400 research scientists. During the past two years, Pioneer's central Iowa workforce has steadily grown.

Predicted sustained upturn in the private sector is likely to continue during the second half of 2010. Stronger hiring is expected for 2011. Business investment is leading the economic recovery. Manufacturers are starting to invest in new equipment and move products out the door. Deere & Co. reported a 16 percent jump in second-quarter profits. Sales of large tractors and combines have improved. Sales of construction equipment are beginning to rebound. Sales of agricultural equipment are projected to soar 25 percent this year in South America, with the New Orders Index reflecting increasing strength in manufacturing output. However, the impending layoff of approximately 1,000 individuals in Wells Fargo Financial is bound to impact Iowa workforce and labor market.