



Economics Group

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COVID-19 Crisis Hits the Iowa Economy

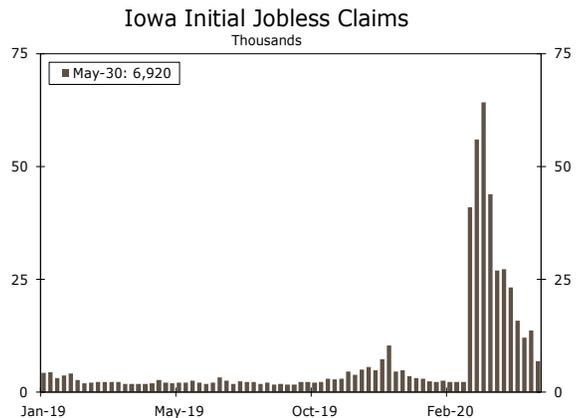
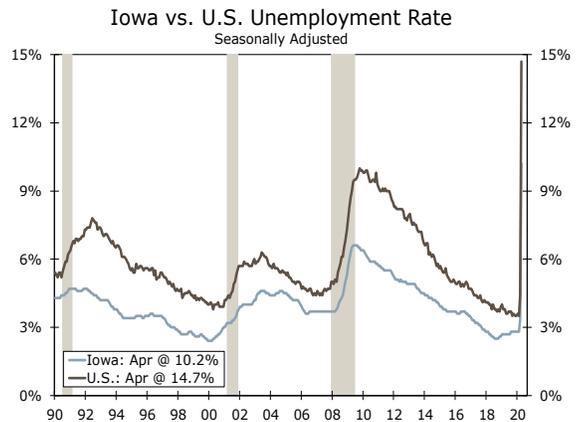
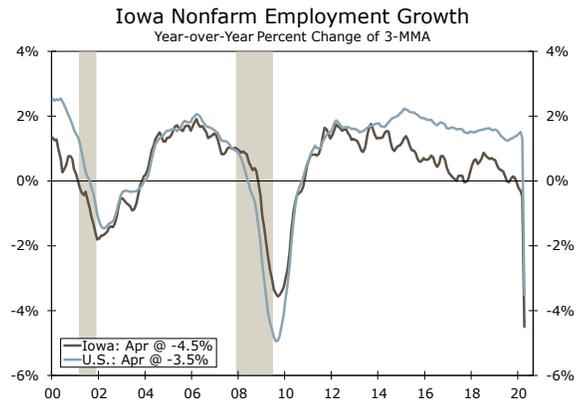
The coronavirus crisis has weighed heavily on Iowa’s agricultural and manufacturing sectors, two major drivers of the state economy. With job losses continuing to mount, the unemployment rate sits at 10.2%.

Manufacturing and Agriculture Under Increasing Pressure

Efforts to contain the coronavirus have hit the Iowa economy particularly hard. Total nonfarm payrolls declined by 177,100 jobs during April and the unemployment rate spiked to 10.2%, up from just 3.3% in March. “Stay-at-home” orders were never officially issued, but many businesses, such as restaurants and retailers, were asked to close for much of March and April. In April, employment at hotels, bars & restaurants fell by 56,400, more than any other major industry. Similarly, retailers shed over 22,000 jobs. Nearly every industry has been adversely impacted, although the ability to work virtually has allowed some industries to hold up better. The financial services industry, which is heavily concentrated in Des Moines, fell by just 3,000 jobs. Equally as concerning, the all-important manufacturing sector registered a 10,600-job loss during the month. With a substantial downshift in global economic growth, demand for Iowa-manufactured products will likely remain depressed for quite some time. Iowa is very manufacturing-intensive, with the factory sector accounting for 14% of nonfarm payrolls, well above the national average of 8%. Much of this employment is in agricultural equipment, but manufacturers produce a wide range of products at factories throughout the state. The large number of Iowans employed at food processing facilities has also presented a challenge from a public health perspective. While Iowa has been relatively less directly impacted in terms of coronavirus cases, hospitalizations and deaths, there have been several outbreaks at meatpacking plants. As a result, many plants had been forced to temporarily close, which has disrupted food supply chains and led to significant bottlenecks.

The state’s agriculture sector has also come under increasing pressure. The farm sector had just begun to stabilize following the lengthy trade dispute last year. On top of the direct economic impacts, the coronavirus now puts the recently signed Phase I trade deal and China’s pledge to ramp up its purchases of U.S. farm products at significant risk. Second only to California, Iowa is one of the nation’s top agricultural producers, specializing in soybeans, hogs, corn and cattle.

With businesses re-opening across the country and weather less challenging than in years’ past, Iowa’s economy has begun to recover. State officials have now eased restrictions, and many businesses are now open with occupancy limitations and social distancing. Jobless claims in the state remain elevated but are trending lower. In the last week of May, just 6,920 jobless claims were filed, the fewest since early March. We will likely still see another large decline in payrolls in the May payroll data, however, as the data measure changes from mid-month to mid-month. Payrolls should begin growing again in June. While activity may bounce back solidly this summer, a full recovery is likely to take at least a couple of years.



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