

# **An Overview of Trends and Factors Affecting Capital Markets and Our Overall Wellbeing**

**Dave Swenson**  
**Iowa State University**

# Territory to Cover

Some  
dominant  
trends?

How does it  
look down  
the road?

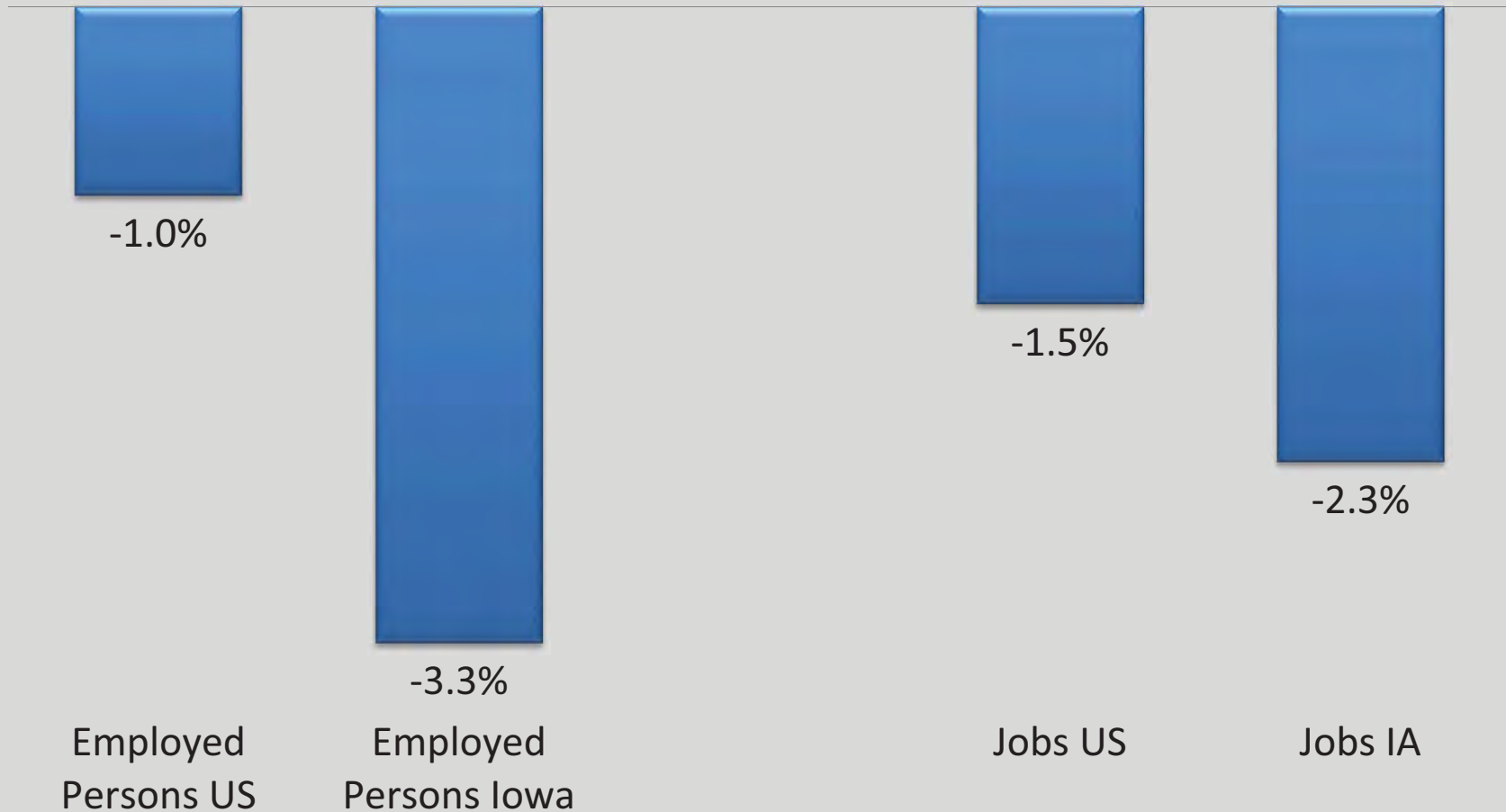
How are we  
doing  
compared to  
4 years ago?

How is Iowa  
doing?

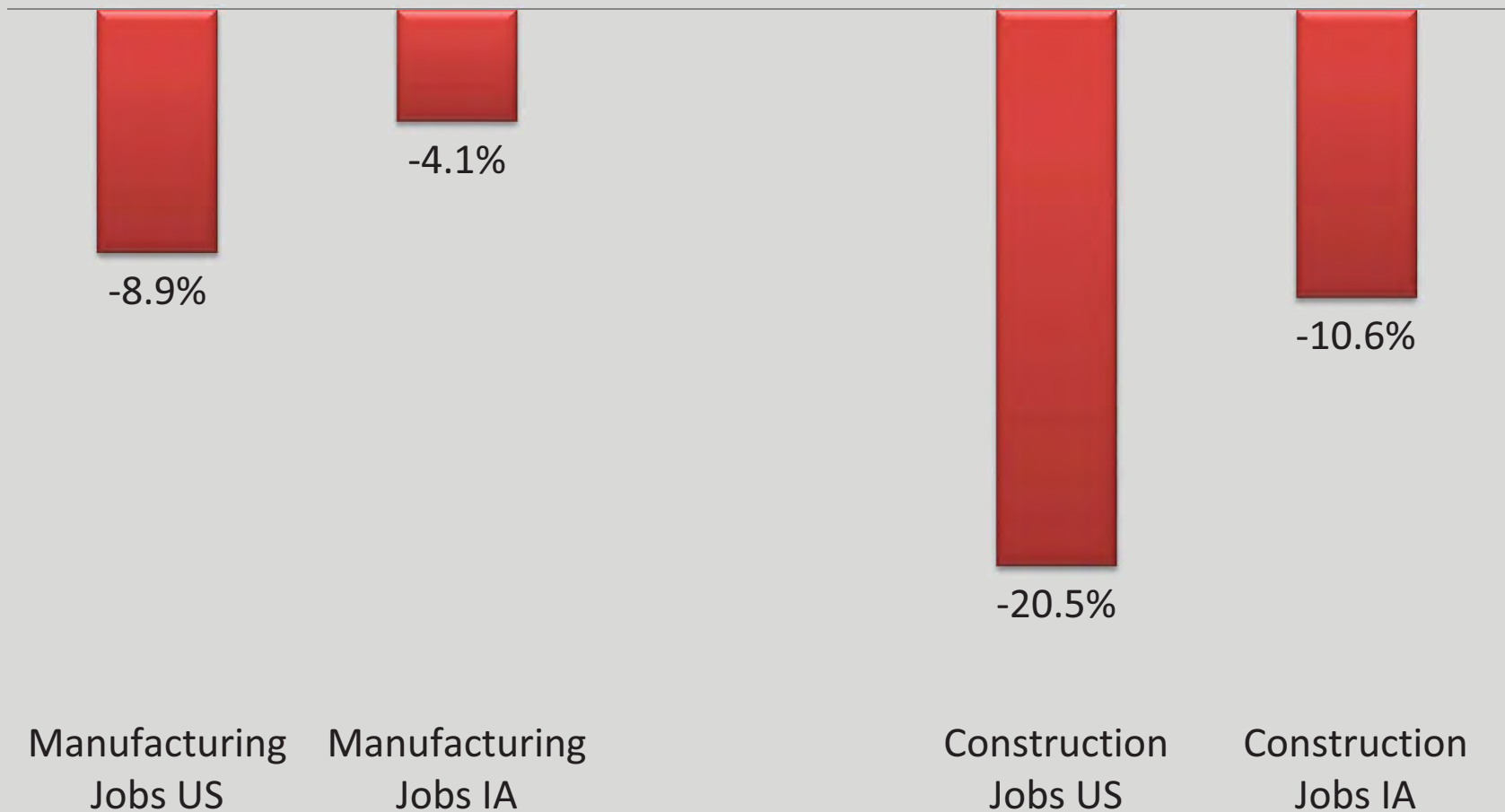
What  
worries me?

**How are we doing  
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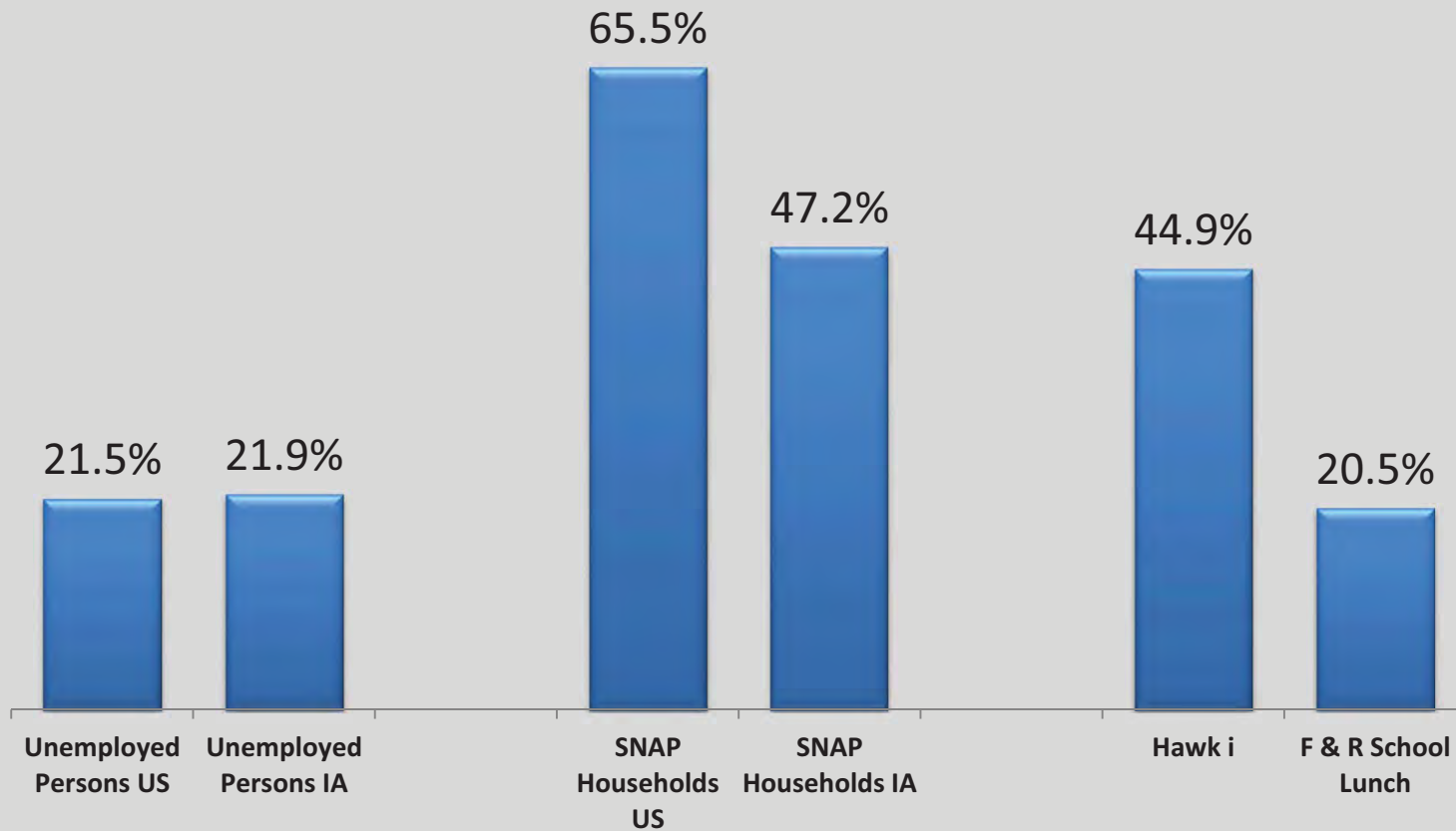
# Employment & Jobs



# Manufacturing and Construction

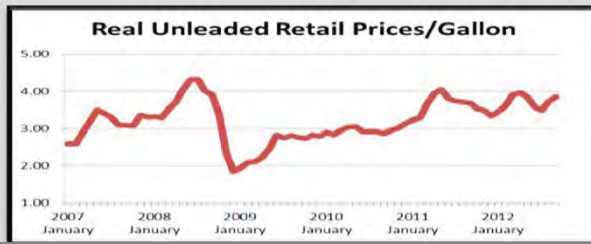


# Social Program Demand

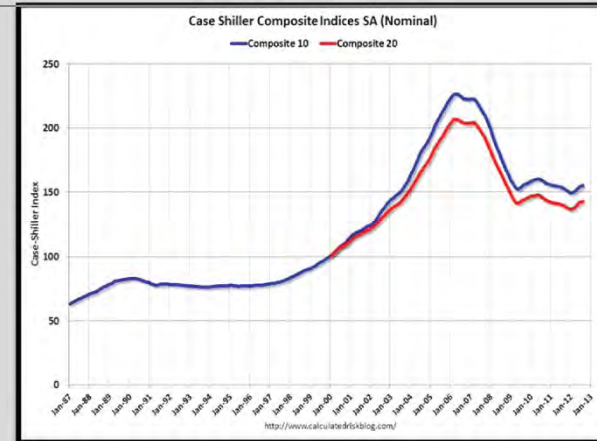


# A Couple of Things We Tend to Obsess Over

5.5%



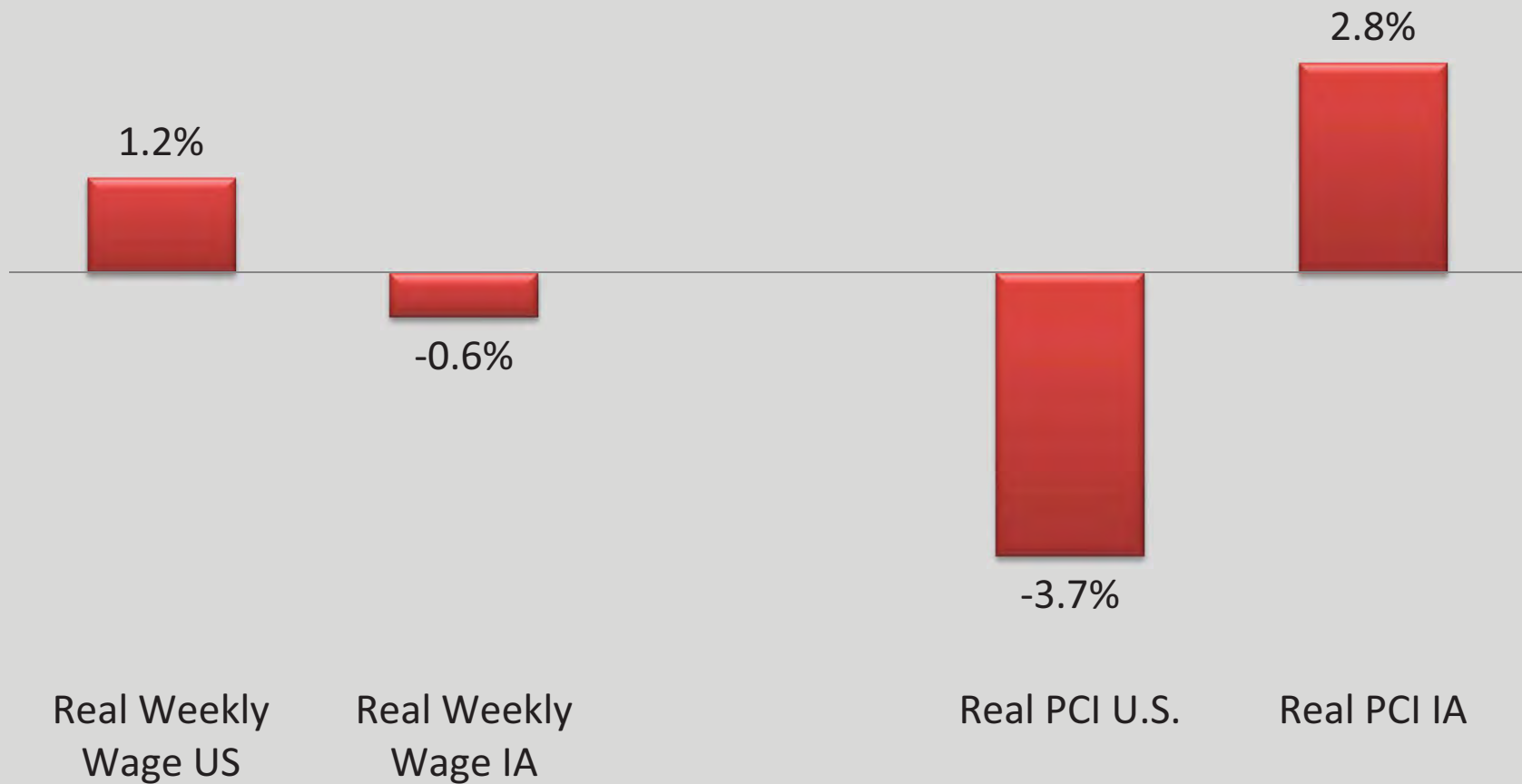
Real Price of Gasoline (annual avg)



-10.2%

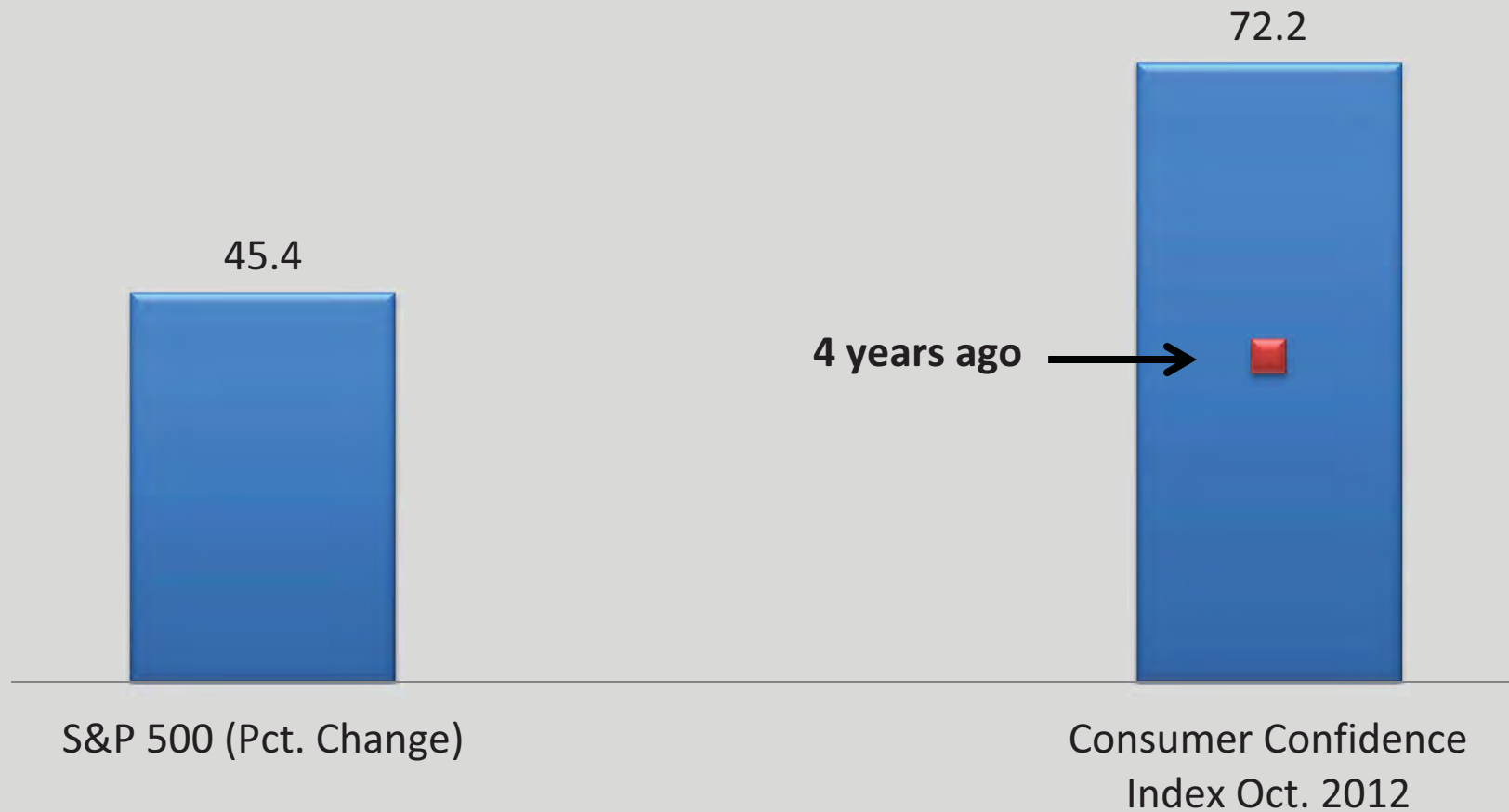
Housing Prices (CS-Composite)

# More Things That Matter

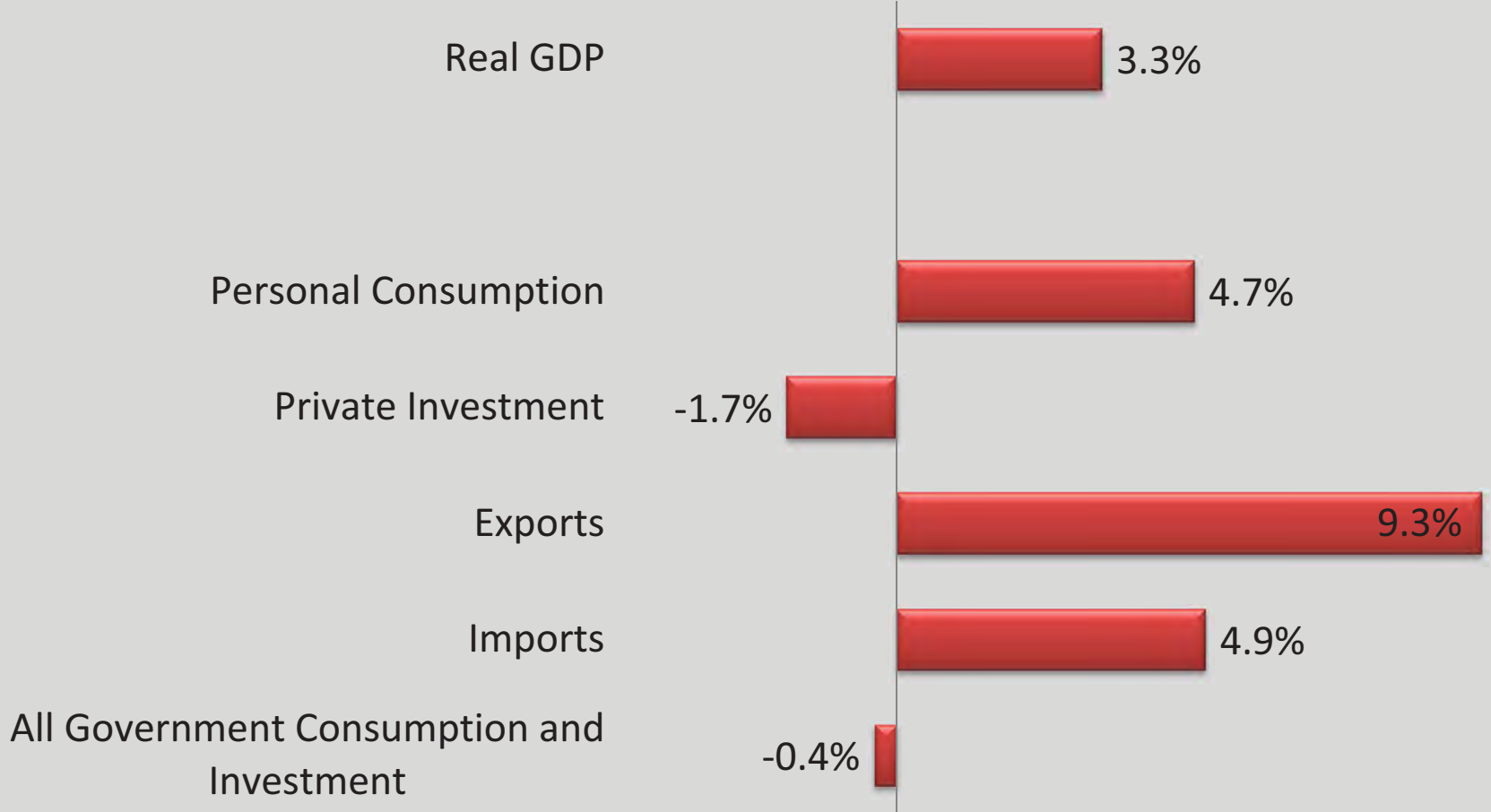




# Indirect Indicators of Wellbeing



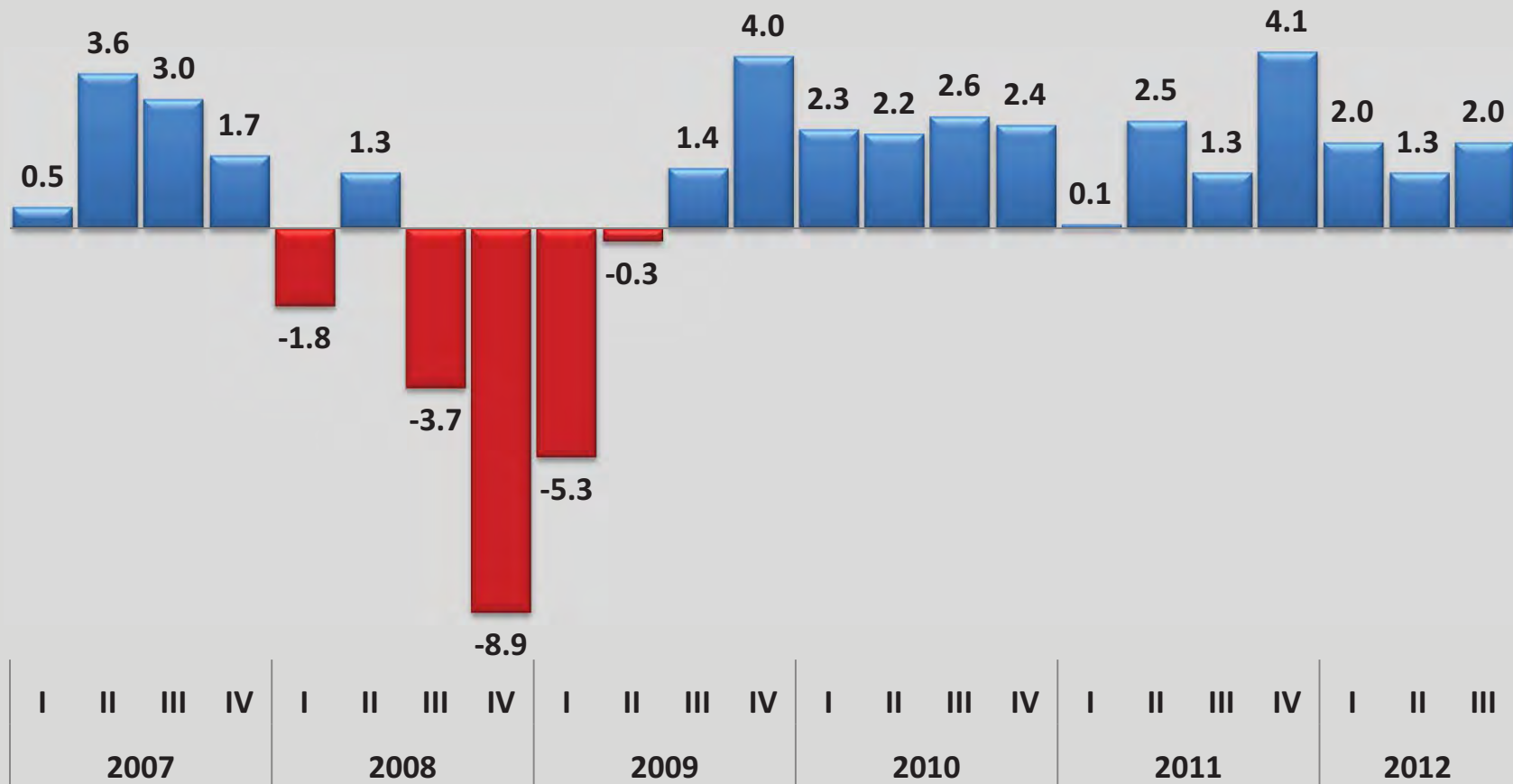
# Finally, The Actual Economy



Some dominant  
trends?

How is Iowa  
Doing?

# Real U.S. GDP Percentage Change From Previous Quarter



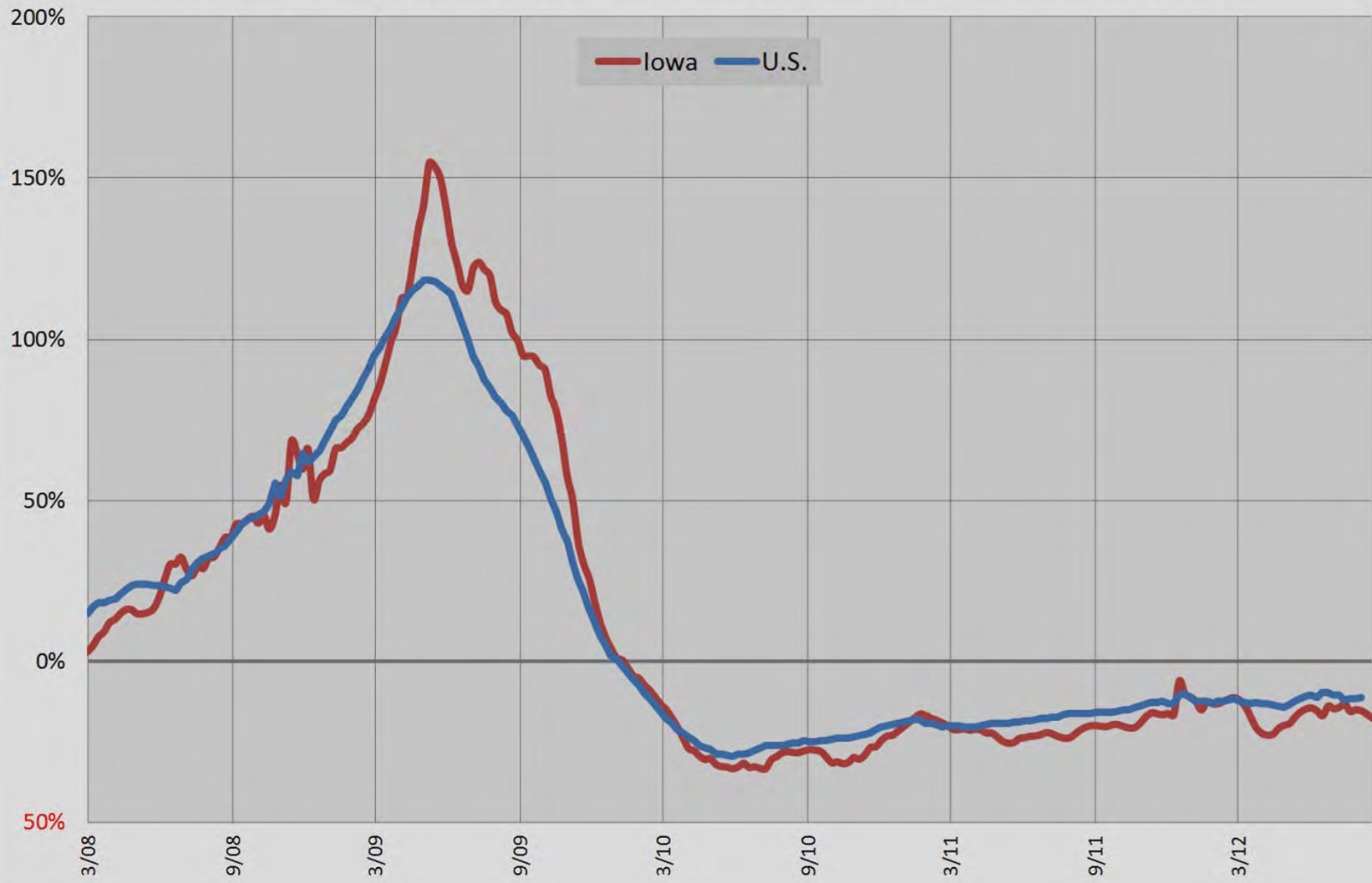
# Iowa Initial Claims for Unemployment Insurance

Typical Seasonal Variation and Recent Levels  
(4-Week moving average of the number of claims, not seasonally adjusted)

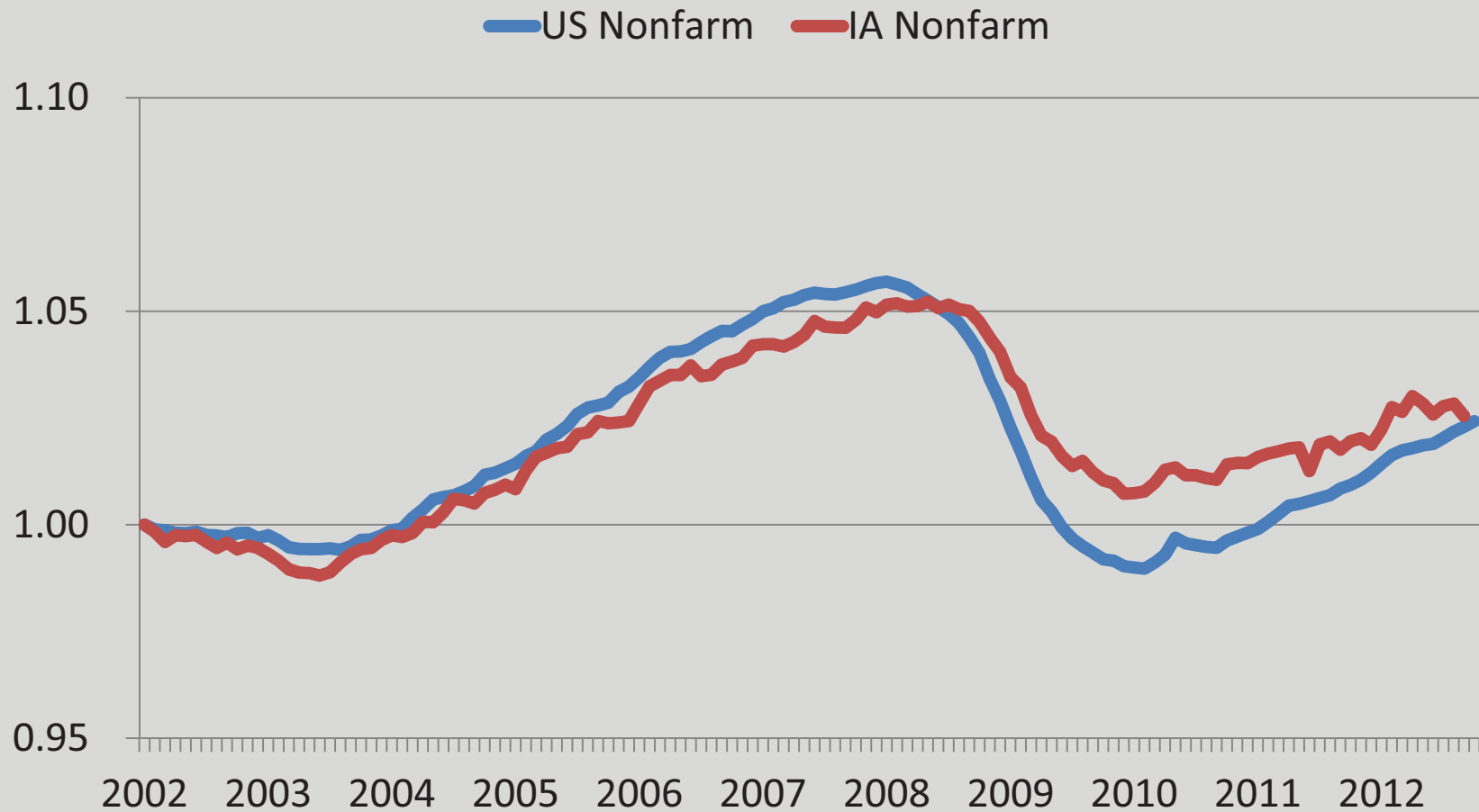


# Continuing Claims for Unemployment Insurance

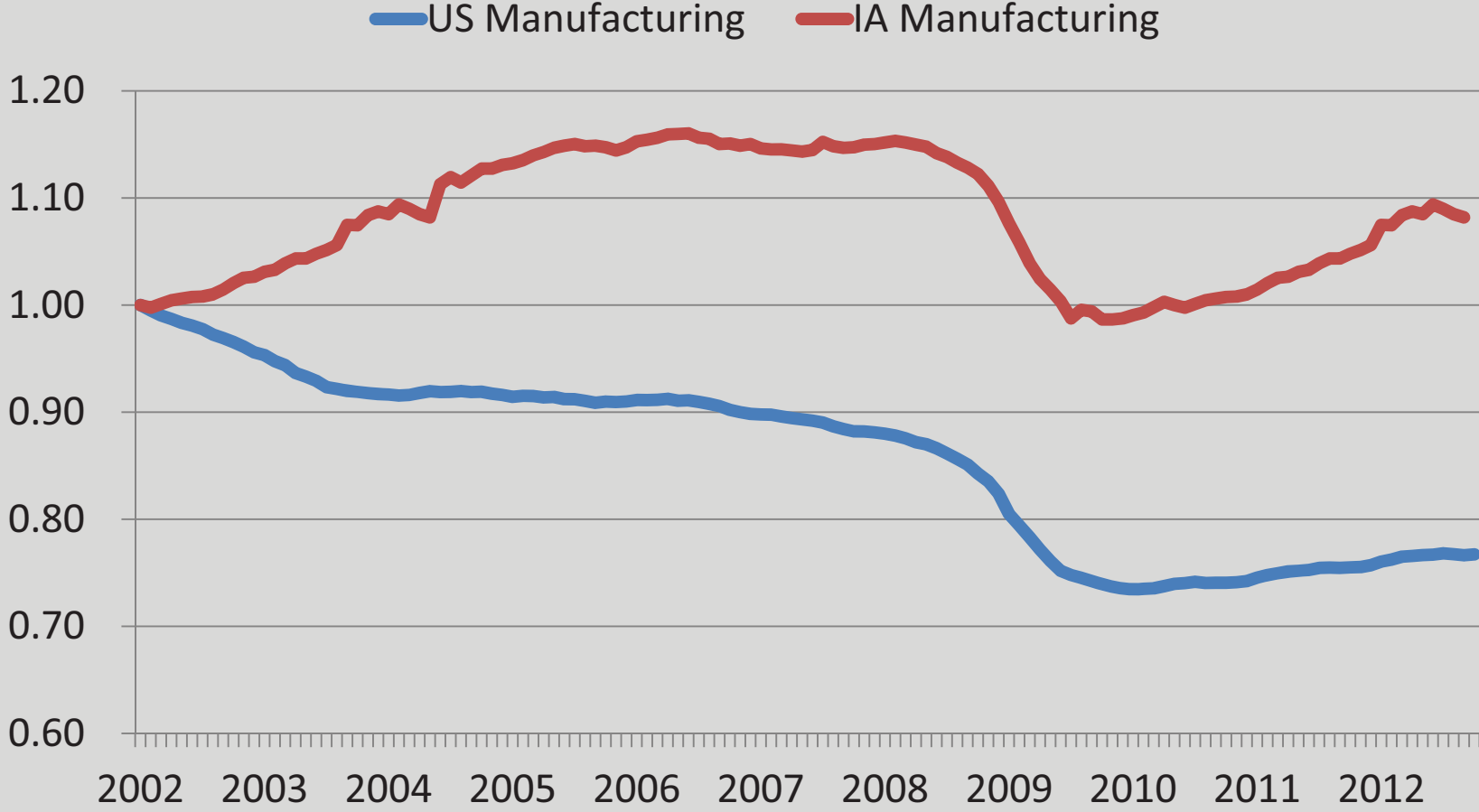
(Percentage change in the 4-week moving average compared to the same period last year)



# Nonfarm Jobs: 2002:1 = 1.0

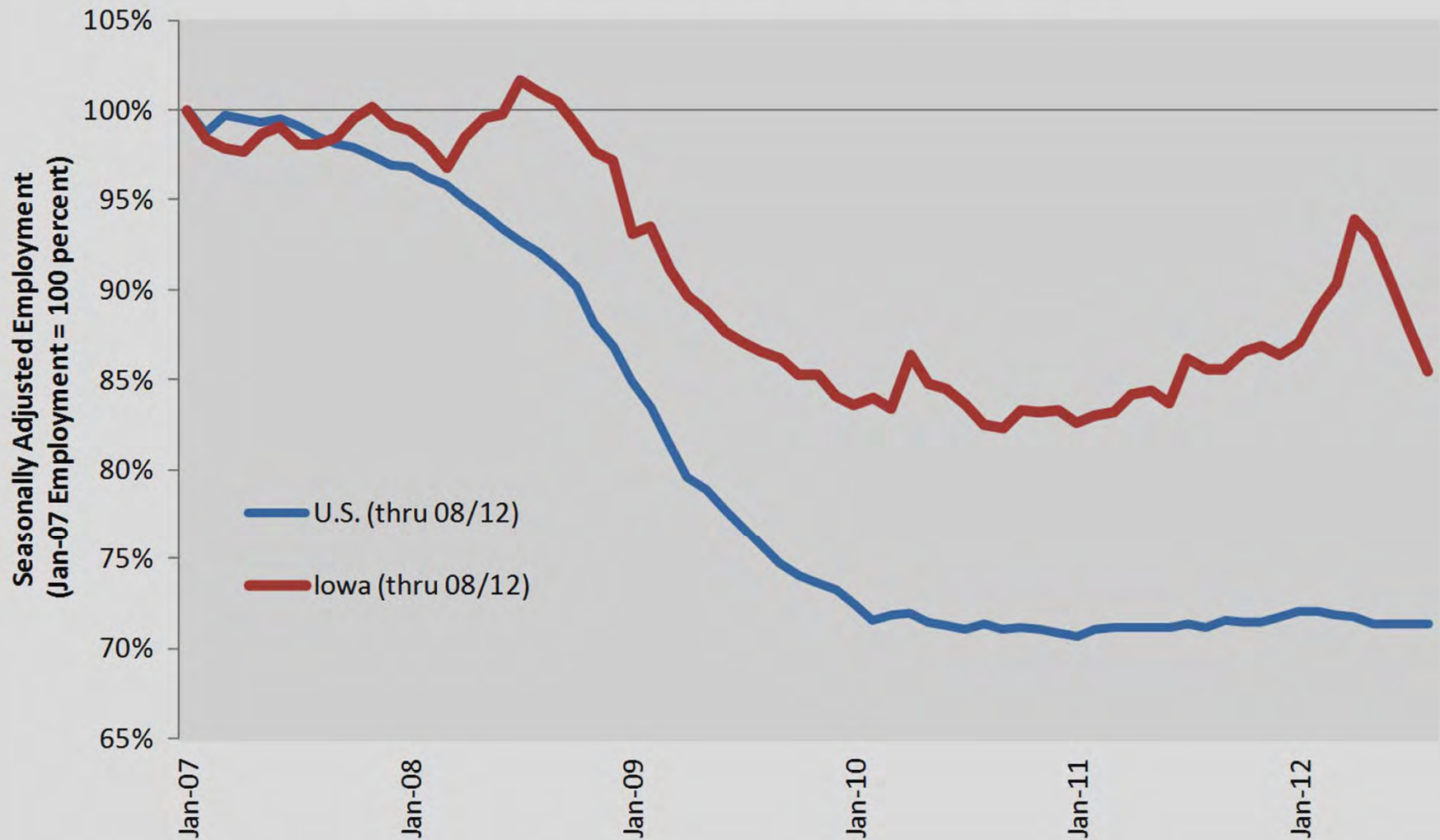


# Manufacturing Jobs: 2002:1 = 1.0

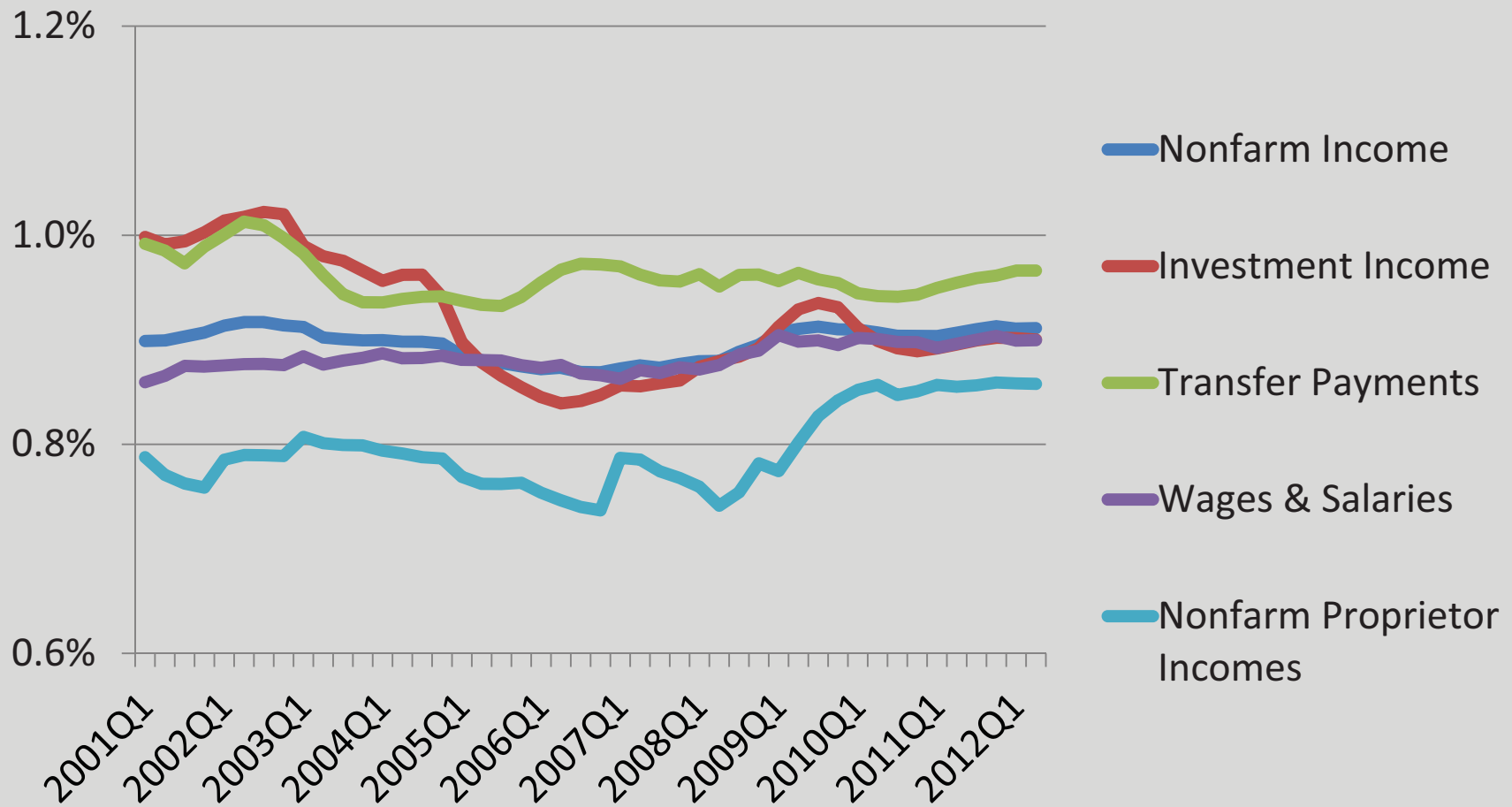




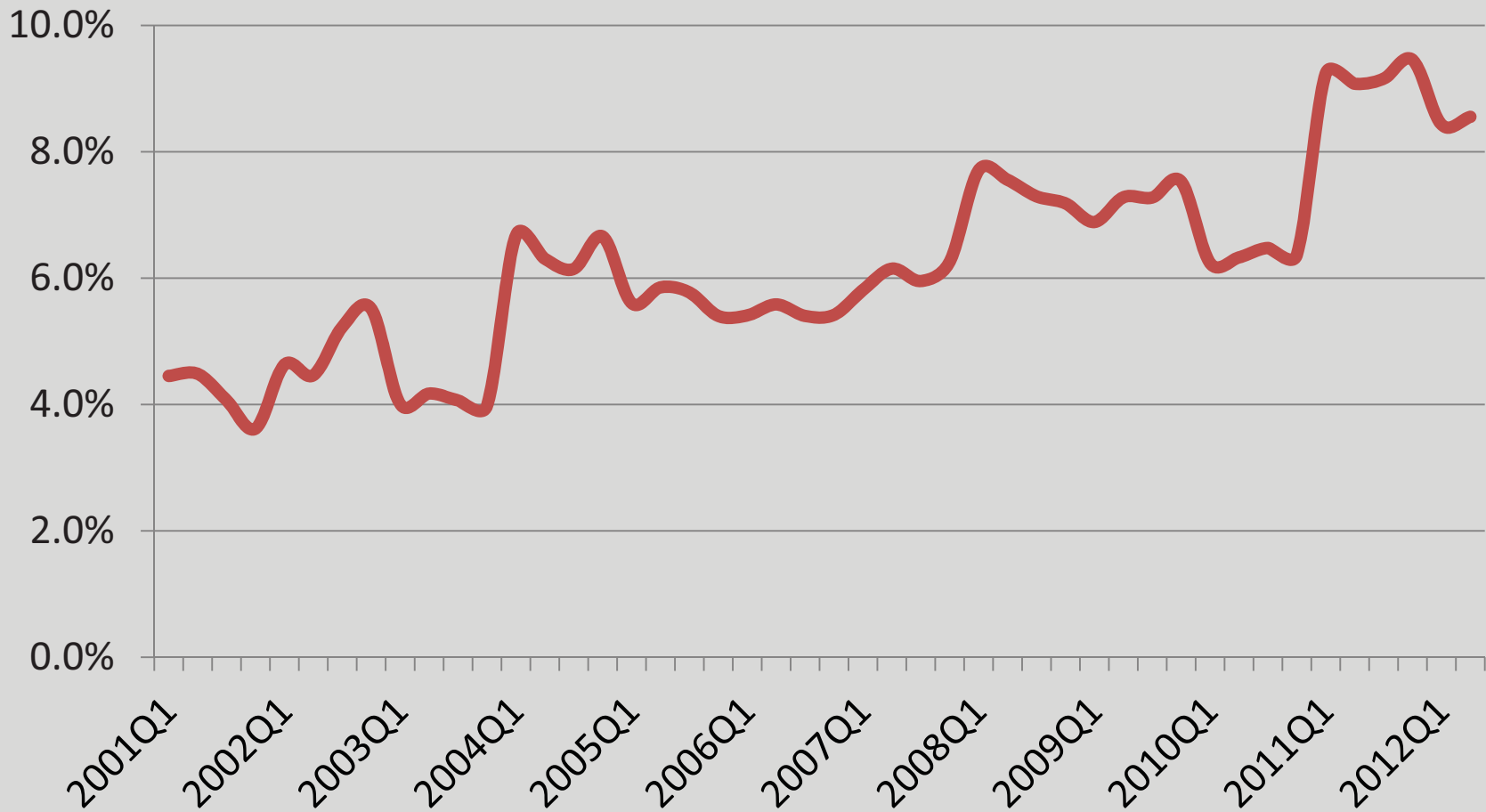
# Index of Construction Employment



# Iowa Shares of National Totals



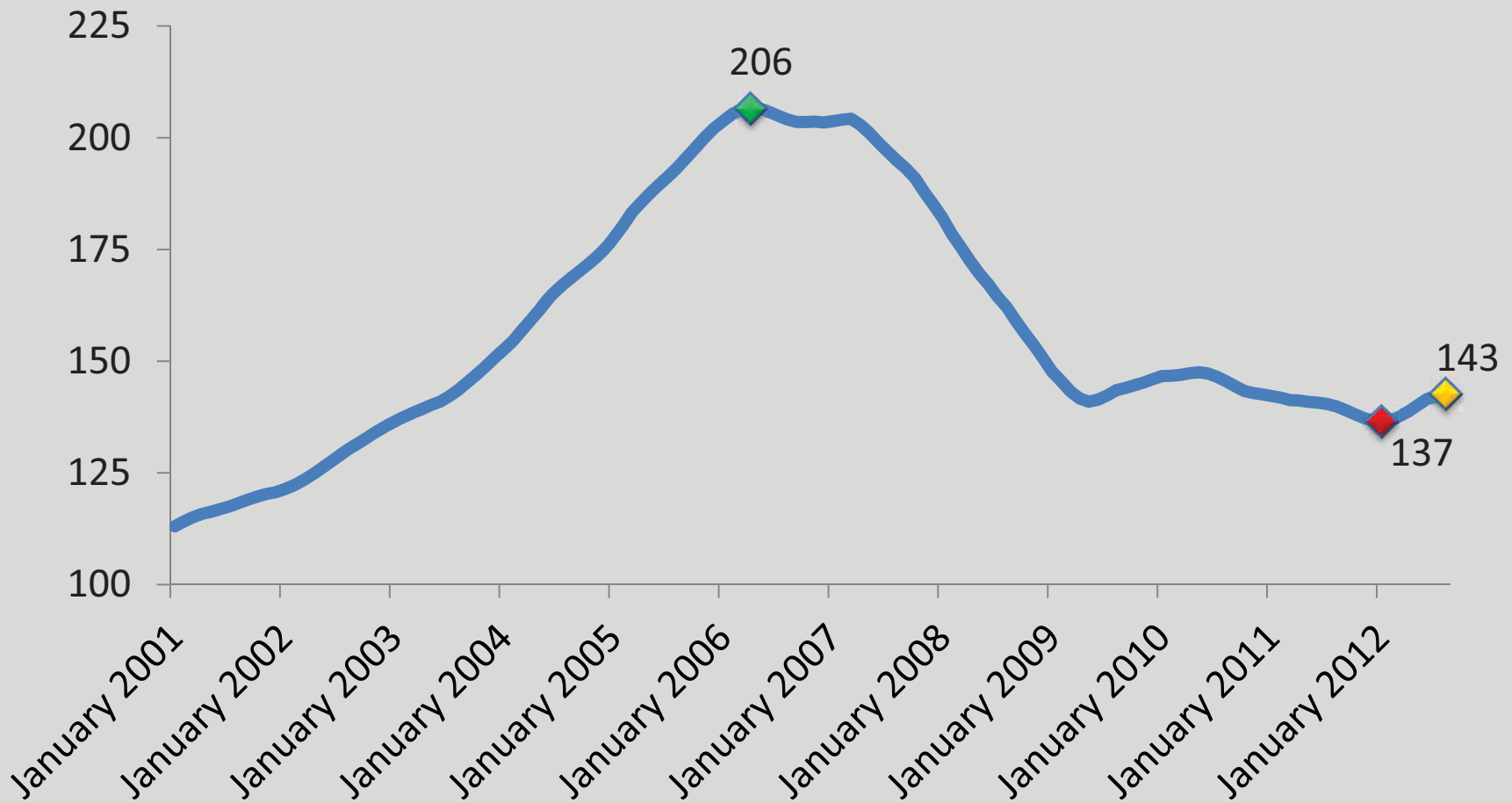
# Iowa's Share of U.S. Farm Income



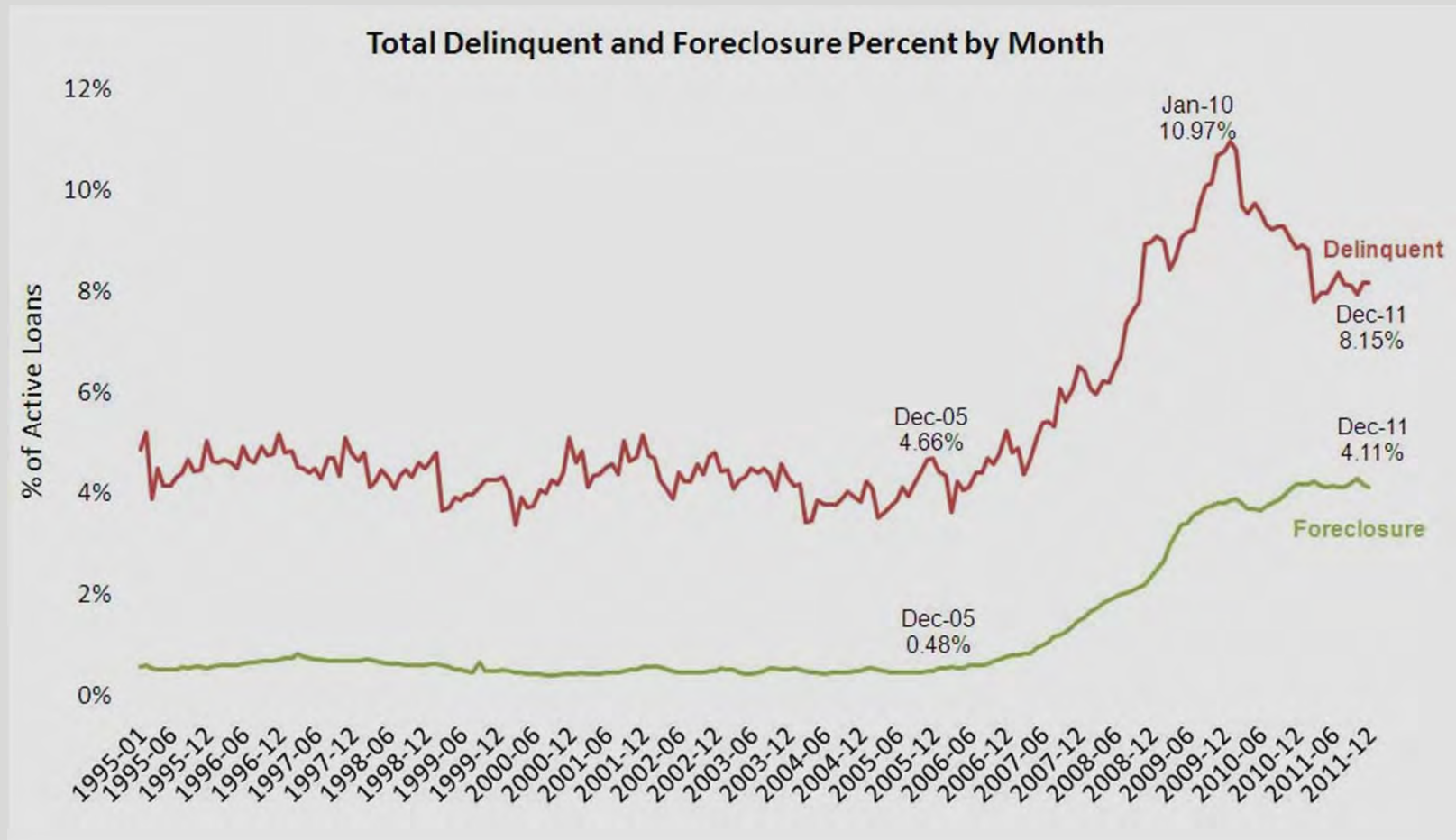
# **A QUICK LOOK AT THE HOUSING SECTOR**

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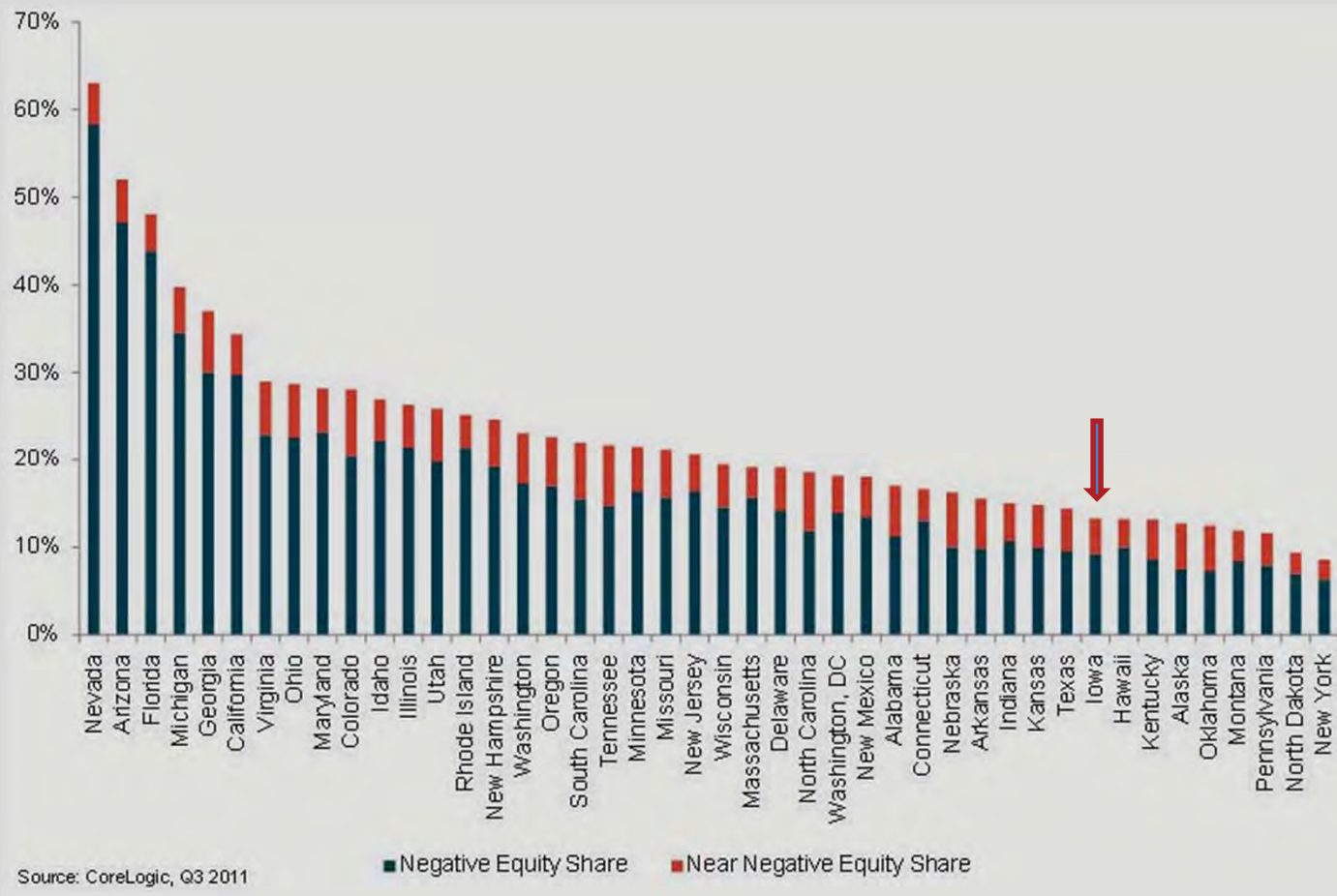
# Housing Prices: Case Schiller 20



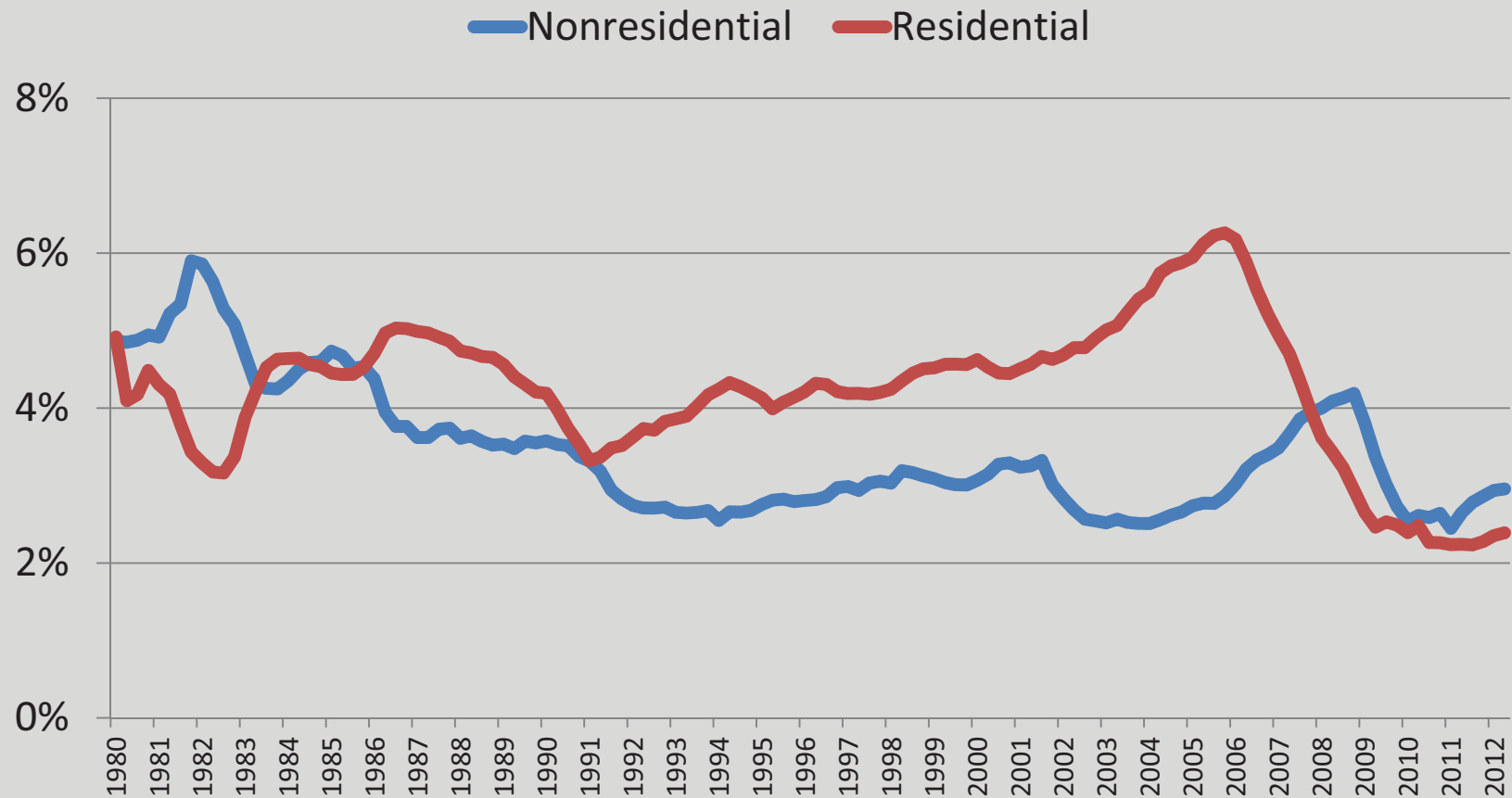
# Delinquencies are declining ... slowly, but foreclosures are not



# In terms of negative equity, though Iowa is in a favorable position

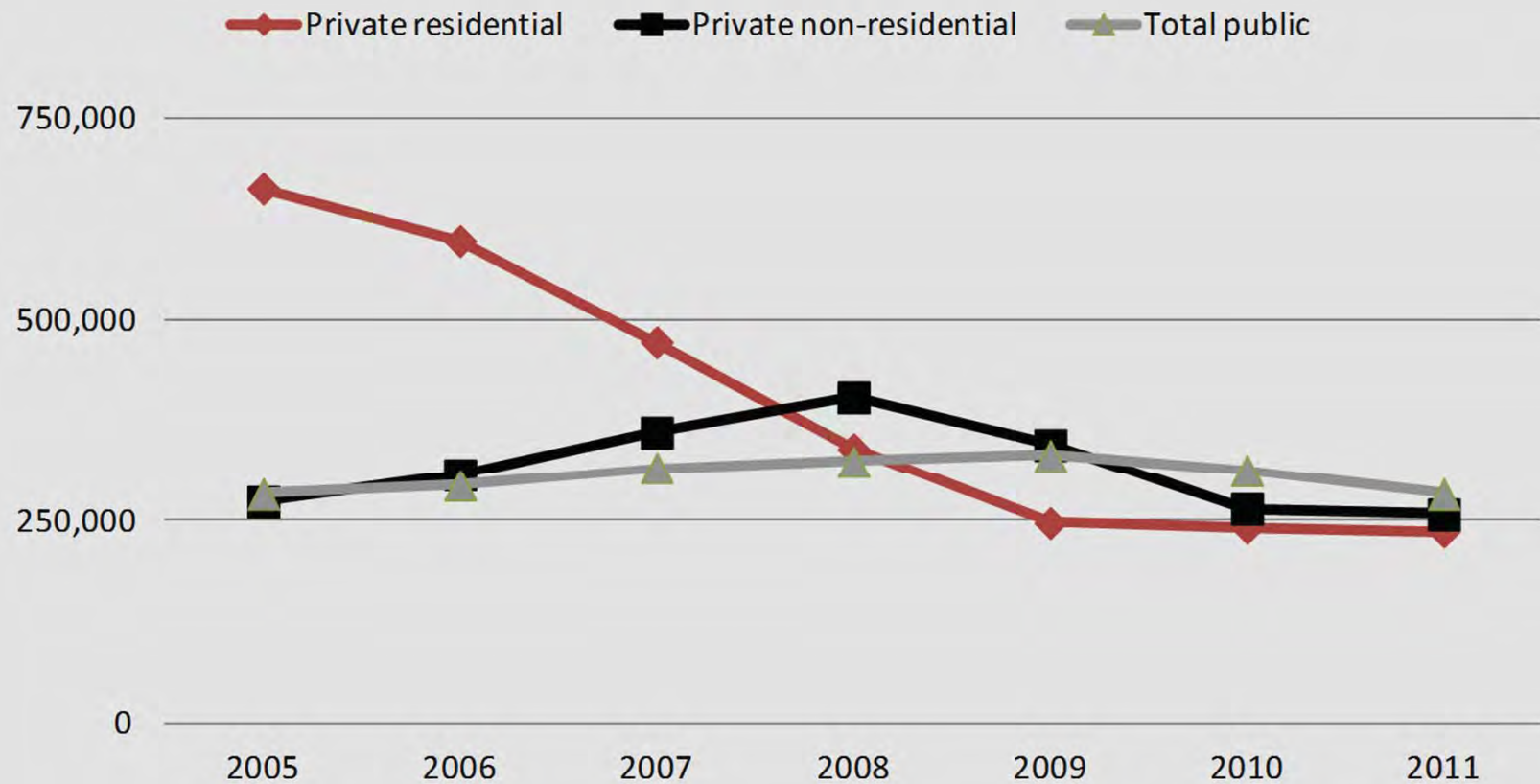


# Private Structures Investment as a Percentage of GDP



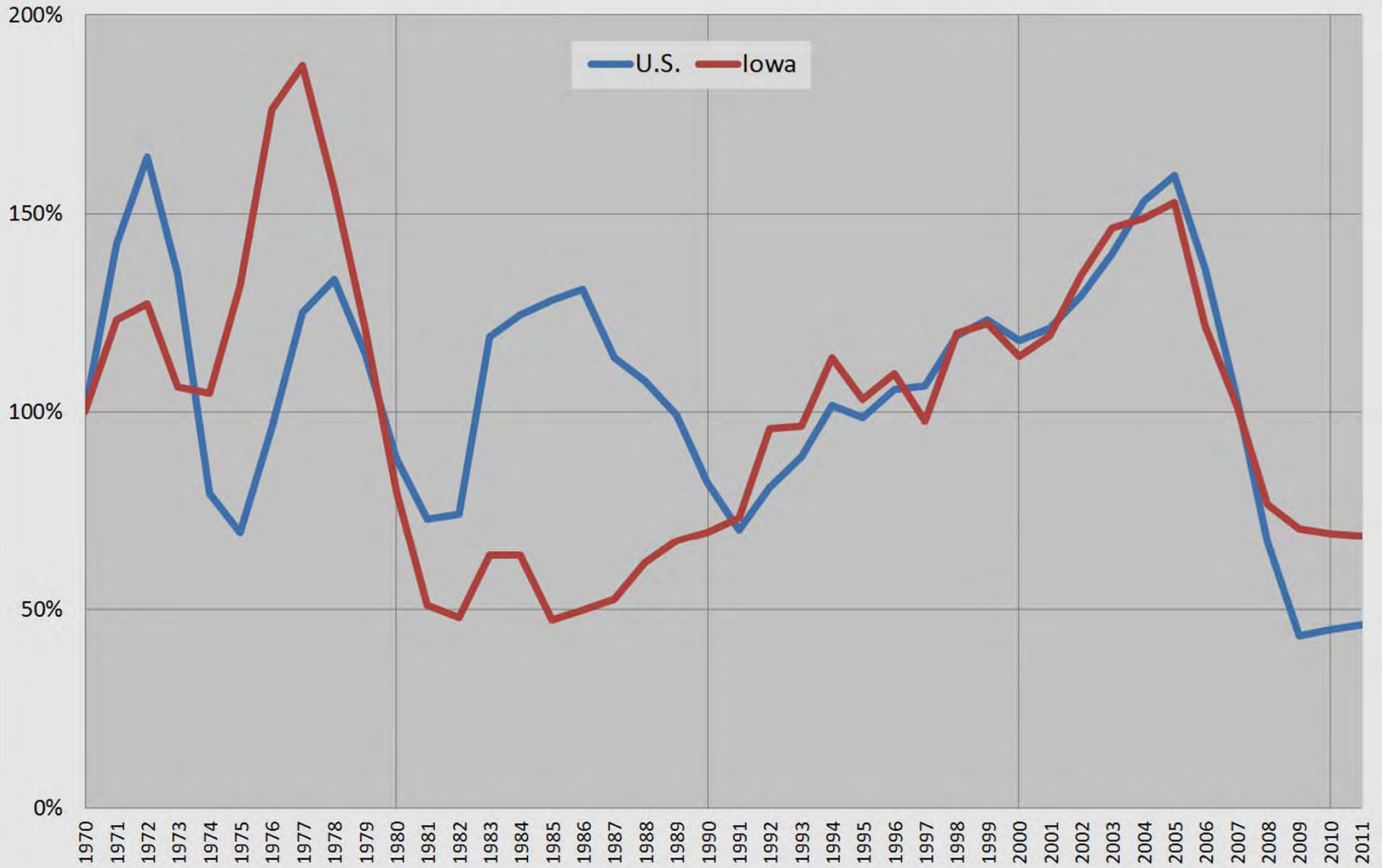



## Value of U.S. Construction Put in Place (In Millions of 2011 Dollars)



# Annual Residential Construction Activity

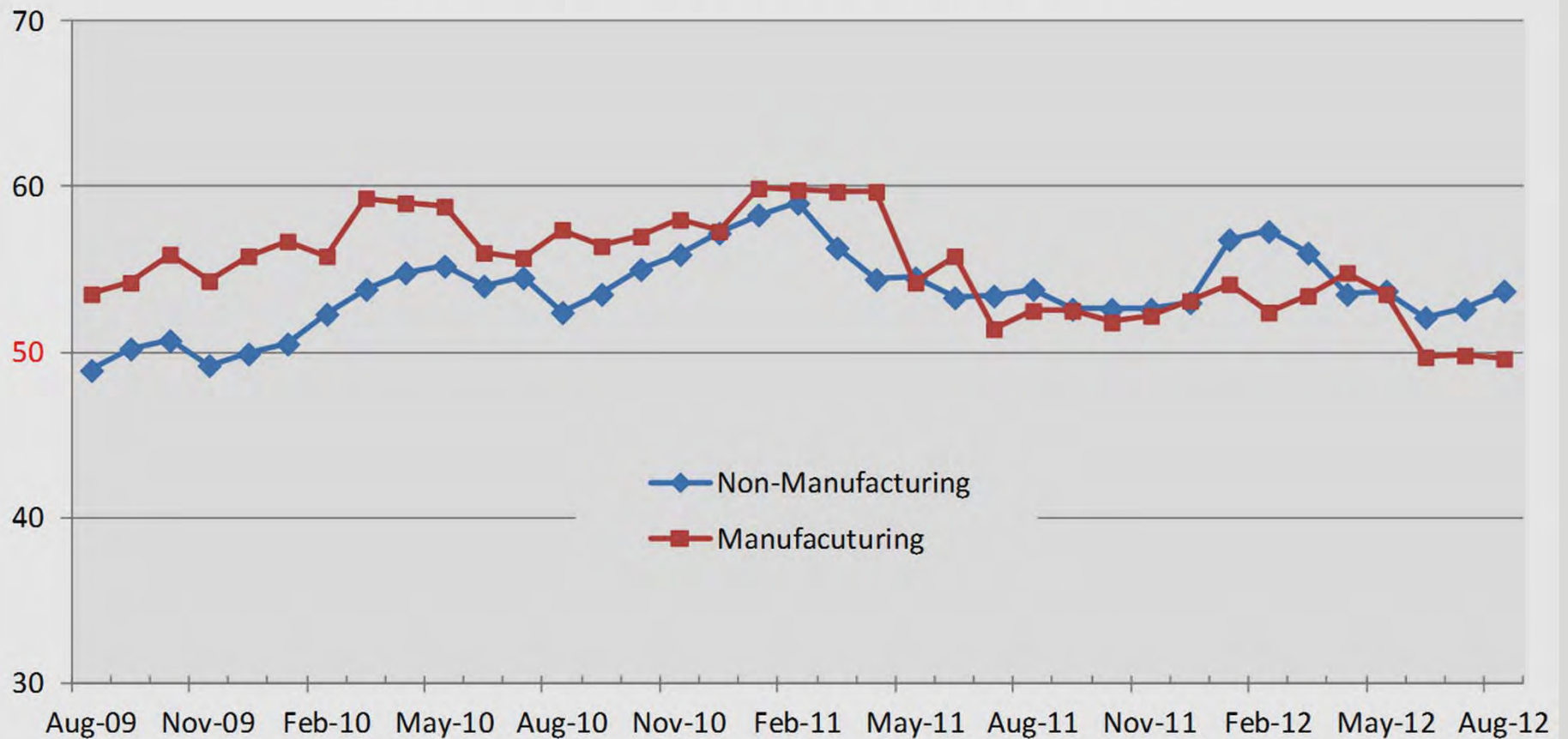
Number of Housing Units Authorized by Building Permits (1970 = 100%)



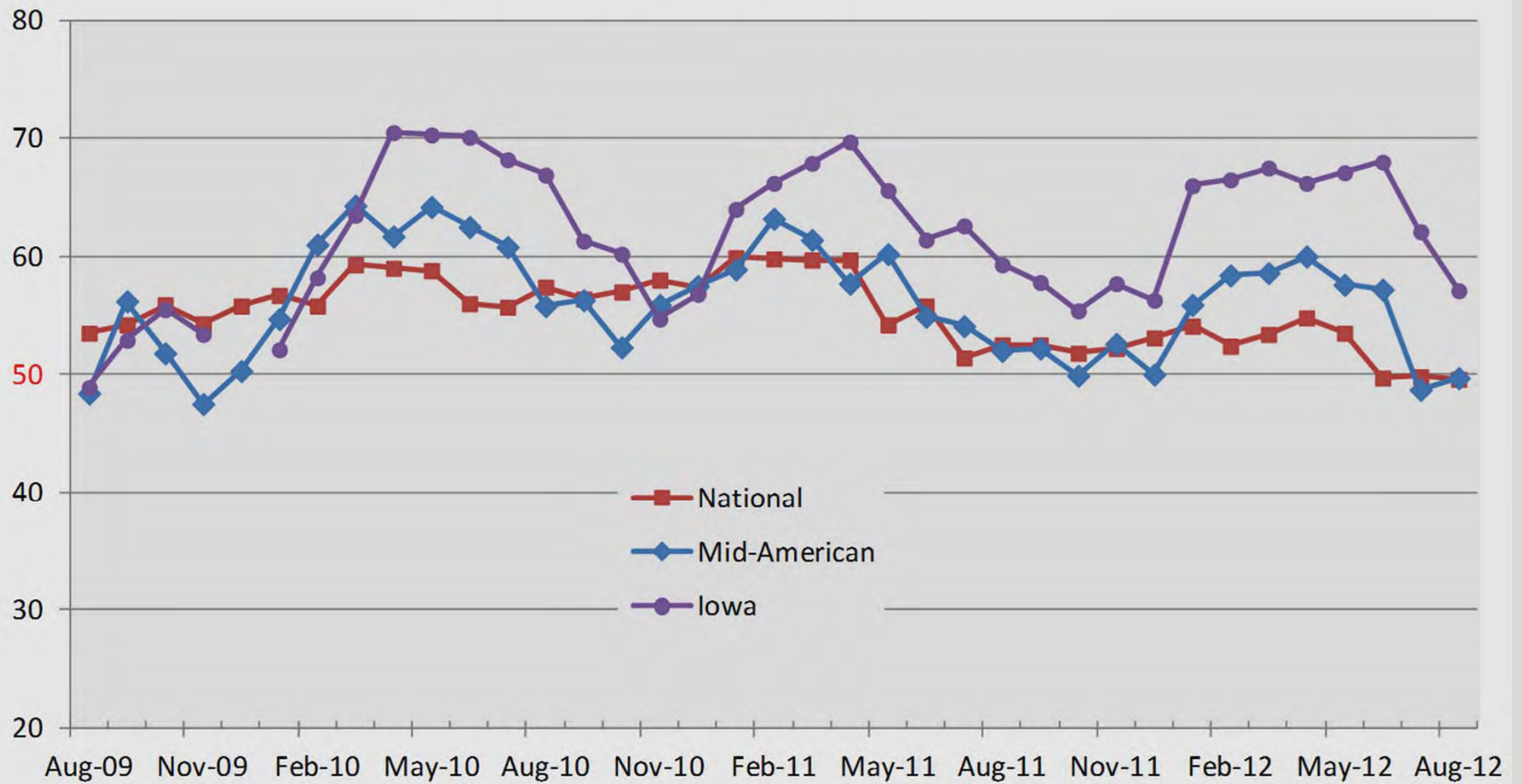


**How Does it Look  
Down the Road?**

## Institute for Supply Management Report on Business (U.S.)



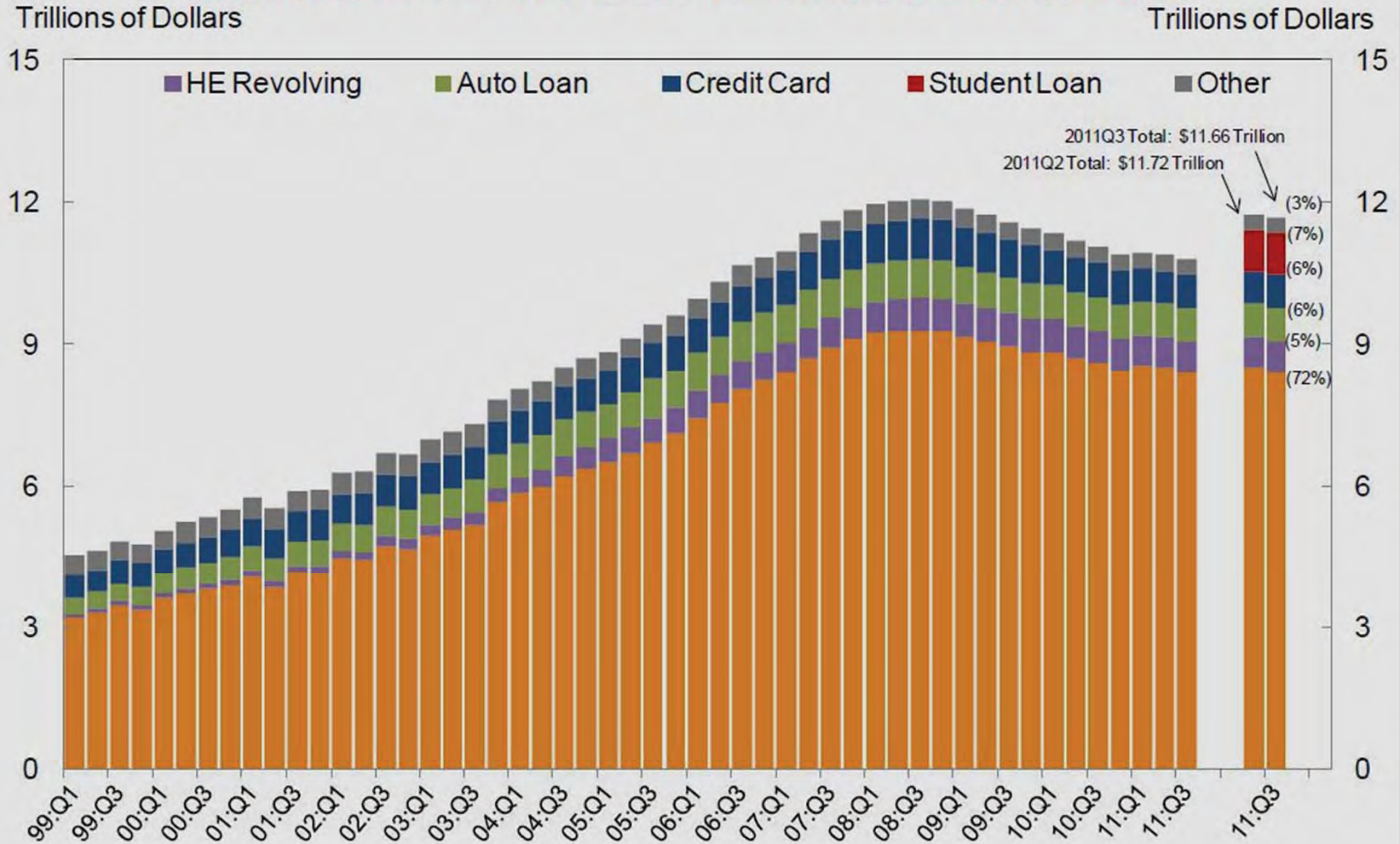
# Purchasing Managers' Index





# Total Debt Balance and its Composition

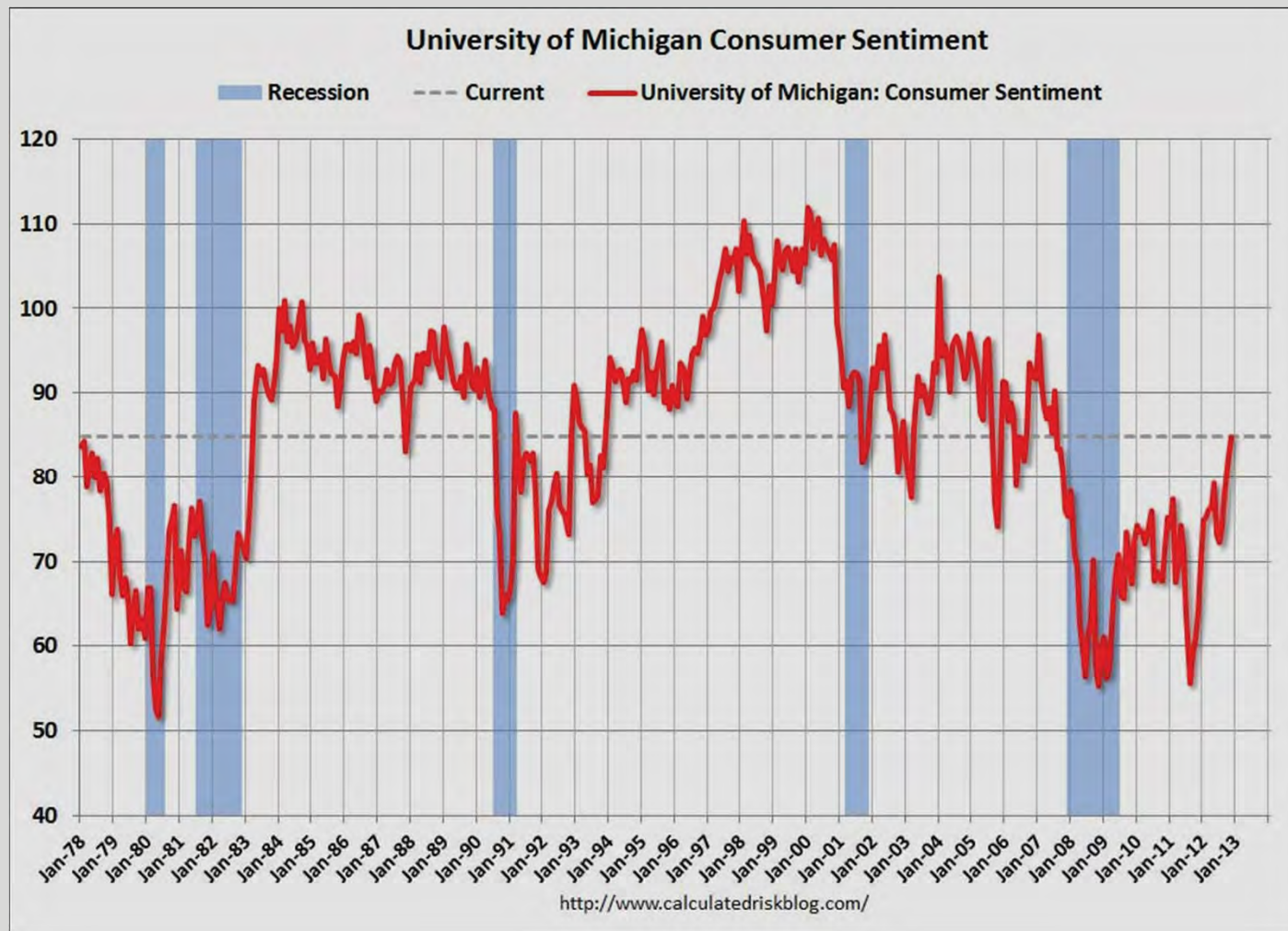
Historical Totals Prior to 2011Q2 Exclude Student Loans



Source: FRBNY Consumer Credit Panel/Equifax

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# Consumer Confidence



# Months to Recover All Previous Employment in Iowa From Recession-Related Contractions Beginning in ...

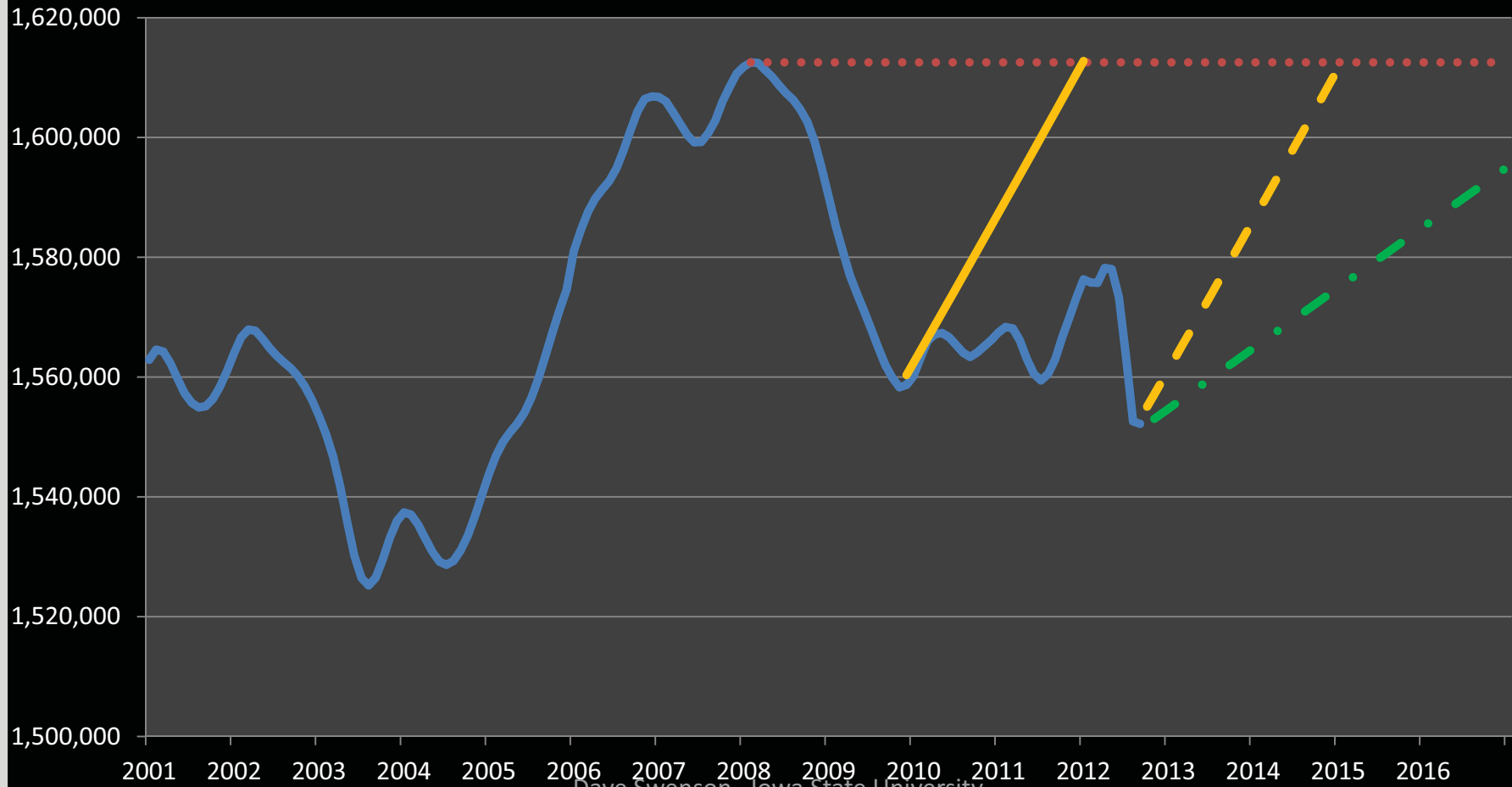
— 1980 on — 1990 on — 2001 on — 2008 on





















# When Will Iowa Recover?

- Employed Persons
- Growth at Long Term Trend from Latest Trough
- Historical Recovery From Latest Trough
- Maximum Employment (2/08)
- Historical Recovery From First Trough



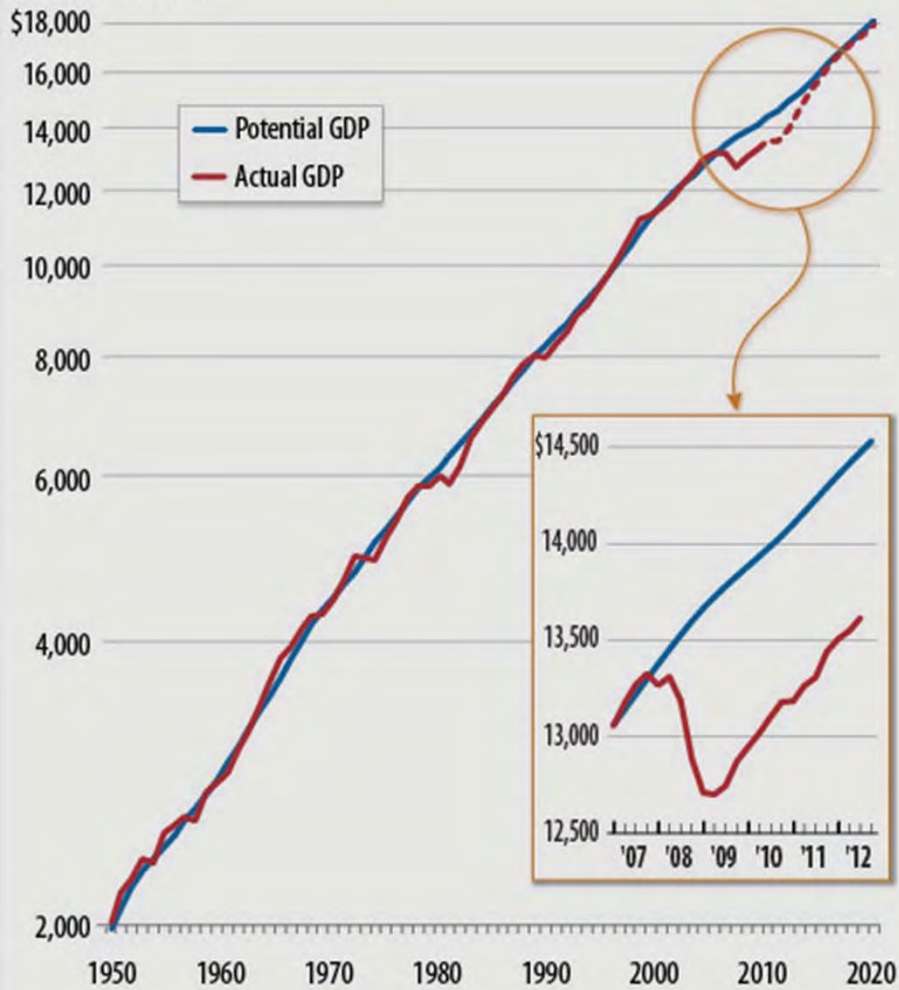
Key Factors: Next 5 Years	
National Job Growth	
Iowa Job Growth	
Nonmetropolitan Iowa Job Growth	
National Manufacturing Job Growth	
Iowa Manufacturing Job Growth	
Nonmetropolitan Iowa Manufacturing Job Growth	

Key Factors: Next 5 Years	
National Fiscal Stability	
Iowa Fiscal Stability	
Significant National Tax Reform	
Significant Iowa Income Tax Reform	
Significant Iowa Property Tax Reform	

Key Factors: Next 5 Years	
Population Growth	
State of Iowa	
Nonmetropolitan Iowa Population	
U.S. Housing	
Iowa Housing	
Nonmetropolitan Iowa Housing	
National Income Growth	
Iowa Income Growth	
Nonmetro Iowa Income Growth	
Farm Income Growth	
Ag Land Values	

# Gross Domestic Product

Billions of 2005 dollars



Sources: Bureau of Economic Analysis and Congressional Budget Office

Center on Budget and Policy Priorities | [cbpp.org](http://cbpp.org)

# What Worries Me?

# Iowa

Continued loss of young adults and its skilled workers

Depopulation of nonmetropolitan areas

Unchecked and extravagant tax expenditures to bribe large and profitable corporations to invest in Iowa

- Two recent outrageous “successes” – \$.6 billion in state and local incentives to marshal 265 jobs
- Bizarre claims to benefits for Iowa and ROIs
- Questionable economic development competence at all levels of government
- No “but-for” arguments that are close to convincing
- Governor, plus state and local officials, who are clearly not acting as good fiscal stewards
- Public that is impassive to the whole process

# Iowa Continued ...

The drought's consequences this year and next

- Ag
- Other industries: construction, manufacturing, recreation
- Main Street
- The environment

Iowa's tendency towards economic insularity

- Belief that we possess magic economic powers – that if we just did more of what we used to do we would grow
- Inability to appreciate the degree to which our economy is linked to and dependent upon the rest of the nation and the world

# National

- Continued partisan gridlock and policy paralysis in large measure, but I anticipate short-term easing in tensions
- Less concerned with fiscal cliff (more like a step-stool) than I am for the austerity trap
- Inability to deal with major issues and spending in a sequential and on a priority basis:
  - Defense
  - Medicare
  - Social Security stability and our long-term obligations to all citizens
  - Acknowledgement that private health care delivery in the U.S. is a significant market failure
  - Long standing unwillingness to pay down our debt during periods of expansion



# Many thanks

Please write me at  
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for a copy of this presentation