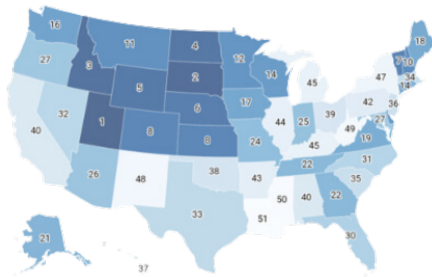




2023 CSI Economic Performance Index Rankings



FEBRUARY 2024

Iowa's 2023 Economic Performance Index

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About the Authors



Steven L. Byers is a Senior Economist for the Common Sense Institute. Prior to joining CSI, Steven spent three years working for the Coalition for a Prosperous America, a nonprofit organization consisting of manufacturing, agricultural, labor, consumer, and citizen interest groups, where he conducted research on the U.S. economy, international trade, and tariffs. Highlights of this research include a paper titled, “Decoupling from China – An Economic Analysis of the Impact on the U.S. Economy of a Permanent Tariff on Chinese Imports” for which he and a co-author won the National Association for Business Economics Edmund A. Mennis Contributed Paper Award.

Steven’s experience as an economist spans twenty-three years, including work at federal regulatory agencies (SEC, CFTC, PCAOB) and quantitative economic analysis supporting international trade litigation cases brought before the U.S. International Trade Commission. His Ph.D. dissertation topic was based on a computable general equilibrium model (CGE) he developed to evaluate the economic impact of regional tax incentives in a small city (Fort Collins, CO).



Ben Murrey is the Director of Policy & Research for the Common Sense Institute. Ben spent over a decade in political and public policy roles at the state and federal levels. After earning his degree at Hillsdale College, he joined Ted Cruz on the campaign trail, first as a grassroots field director overseeing 45 rural east Texas counties and later as assistant director of operations. He went on to serve seven years as a legislative staffer for Sen. Ted Cruz in Texas and Washington, D.C. Most recently, he served as fiscal policy center director at Independence Institute, a free market think tank in Colorado. In addition to leading reports on a range

of fiscal, tax and economic issues, Ben’s writing has appeared in the Wall Street Journal, National Review, Real Clear Policy and more.

About Common Sense Institute

Common Sense Institute (CSI) is a non-partisan research organization dedicated to the protection and promotion of Iowa's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Iowans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

Common Sense Institute Teams & Fellows Statement

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

Introduction

In macroeconomics, the economic performance of a state is generally measured by economic growth (GDP), unemployment, and labor force participation, among other metrics. Common Sense Institute developed the Economic Performance Index to assess the overall economic performance of Iowa relative to other states. Seven metrics comprise the index: GDP per capita, labor force participation rate for people aged 18 to 64 years, net business creation, inequality as measured by the Gini Index, the percentage of people of all ages in poverty, the median household income, and net interstate migration.

The index starts in 2011 and is calculated annually. It ranks each of the seven component metrics across 50 states and D.C. for each year and subtracts the rank from 100. Therefore, higher (or lower) index values indicate the state is more (or less) competitive. The index weighs each of the component metrics evenly. It then ranks the indices for each state and D.C. with 1 equaling the highest index value and 51 equaling the lowest index value.

Common Sense Institute's Free Enterprise Indices rely on the data available as of October of the previous year. Therefore, current data across policy areas may be different than that reported in the annual Free Enterprise Report. CSI updates and releases the report in December every year.

Key Findings

- Measured by GDP per capita, Iowa's economy has grown 56% since 2011 and ranks 25th nationally.
- The percentage of all people in poverty has decreased by 1.7%, from 12% in 2011 to 11% in 2023. Iowa has nonetheless fallen in the index relative to other states, standing at 18th lowest nationally.
- Median household income increased by 44.2% between 2011 and 2023, from \$50,219 to \$72,429, outpacing the 32.2% increase in inflation over the same period. Iowa ranks 13th highest in median household income nationally.
- Labor force participation decreased by 1.3%, from 82.2% in 2011 to 80.9% in 2023. Despite this, Iowa ranks 9th nationally.
- Inequality has increased by 3.9% from 2011 to 2023. Despite this increase, Iowa has the 10th lowest level of inequality nationally.
- Net business creation per capita has increased from 12.6 in 2018 to 47.2 in 2023; however, Iowa ranks 46th nationwide.

- Net interstate migration continues to increase on average, and Iowa ranks 31st nationally.
- Iowa's overall relative economic performance ranks 17th nationally.

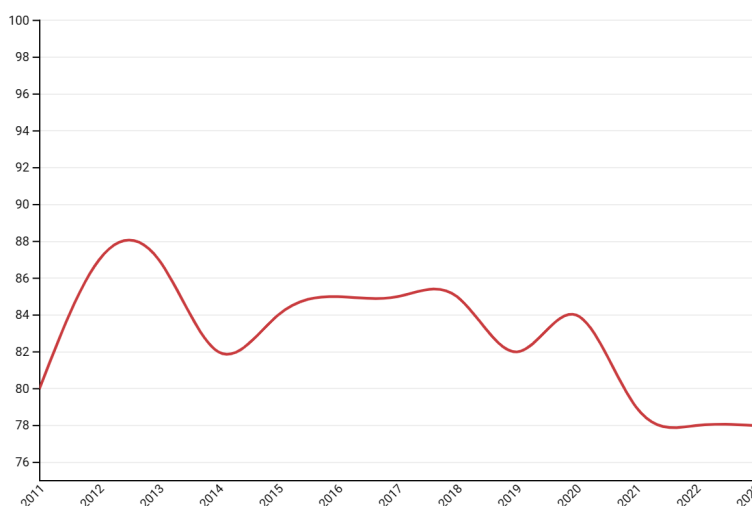
Iowa's Economic Performance Index

The Economic Performance Index measures Iowa's performance relative to 49 other states and the District of Columbia, not the performance of Iowa in isolation. As shown in figure 1, the Iowa Economic Performance index was 80.2 in 2011, peaked in 2012 at 87.3, and averaged 84.2 from 2011 to 2020 before declining 6.3% from 2020 through 2023 to 78.3.

While Iowa's overall economic performance has improved since 2011, the state has fallen in the Economic Performance Index relative to other states and D.C. Better economic performance in 16 other states reduced the state's rank despite improvements in its economic environment. As discussed in the section "The Composition of Iowa's Economy" later in this report, the industrial composition of Iowa's economy makes it difficult for the state to rank at the top of the index. For instance, the agricultural sector comprises a much larger share of Iowa's economy than in many states, and this sector trends among the lowest for income derived from salaries and wages. Similarly, Iowa's professional-scientific-technical and information sectors make up a smaller share of the economy than in many states, and these sectors trend among the highest for income derived from salaries and wages.

Figure 1

CSI Economic Performance Index - Iowa



Iowa's Economic Performance Index Component Metrics

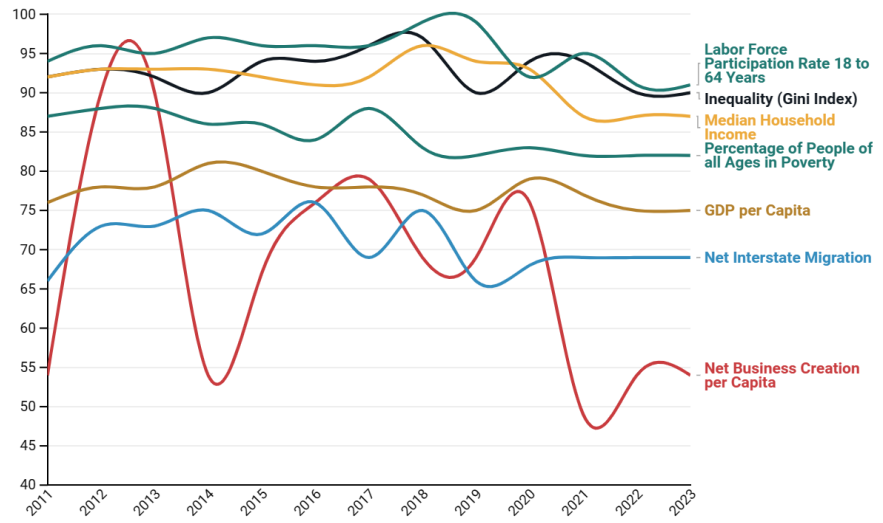
Between 2011 and 2023, Iowa's rank in CSI's Economic Performance Index declined in five of the seven metrics: GDP per capita, labor force participation rate, inequality, poverty, and median household income. Net business creation per capita remained unchanged; interstate migration increased by 4.6%. The index value for net business creation per capita was 54 in 2011. It peaked in 2012 and 2013 at 90 before falling to 54 in 2023. As shown in figure 3, the 29% decline after 2020 accounted for most of the decline over the period. The drop in Iowa's Economic Performance Index metrics, however, is not the result of negative changes in the data specific to Iowa.

The underlying data deteriorated in only one of the seven metric categories—the labor force participation rate. The underlying data in the other six categories improved from 2011 to 2023. Thus, the Economic Performance Index metrics—excepting net interstate migration—declined

because Iowa's performance lagged 16 other states, not because economic conditions worsened. Figure 2 shows the evolution of the performance index component metrics between 2011 and 2023.

Figure 2

CSI Economic Performance Index Components - Iowa



A Iowa performance metric may rise at the state level, however, it may fall relative to the other 49 states and D.C, thus decreasing Iowa's overall competitiveness. The inverse may also be true.

Figure 3 describes the percentage changes in the Economic Performance Index component metrics. From 2011 to 2023, all metrics declined except net business creation per capita and net interstate migration. The greatest declines occurred in the percentage of people of all ages in poverty (-5.8%), median household income (-5.4%), and labor force participation (-3.2%).

Figure 3

Iowa Economic Performance Index Component Metrics								
	Net Business Creation per Capita	Net Interstate Migration	Inequality	Percentage of People of all Ages in Poverty	Median Household Income	GDP per Capita	Labor Force Participation Rate 18 to 64 (IPUMS)	Jobs & Economy Competitive Index
Average 2011 to 2020	72.4	71.3	93.2	85.5	92.9	78	96	84
% Change 2011 to 2023	0.0%	4.6%	-2.2%	-5.8%	-5.4%	-1.3%	-3.2%	-2.3%
% Change 2020 to 2023	-28.9%	1.5%	-4.3%	-1.2%	-6.5%	-5.1%	-1.1%	-6.3%

The Composition of Iowa's Economy

The composition of a state's industry significantly impacts the performance of its economy relative to other states. Figure 4 shows the share of Iowa's GDP versus the total U.S. GDP attributable to different industrial sectors. Additionally, it compares Iowa's industrial share distribution to the U.S. share distribution in the column labeled "Relative Share," with a higher number indicating a larger relative share for Iowa in that sector. The manufacturing sector is the largest single contributor to GDP at a 17.2% share, followed by finance and insurance at 13.3%, government and government enterprises at 10.4%, real estate & rental & leasing at 9.1%, and agriculture at 6.8%.

Iowa's current industrial composition differs from the U.S. overall in some key sectors where GDP and wage growth are high. Professional, scientific, and technical services comprise 4.1% of Iowa's GDP compared to 9.2% nationally; the information sector stands at 3.2% in Iowa versus 7.1% nationally. Conversely, the state's manufacturing sector's share of the economy is 69% larger than that of the U.S. overall, and the finance & insurance sector is 91% larger than the U.S. share. Because real GDP has grown more slowly in these two sectors than in professional services and information sectors, Iowa's economy does not grow as fast as states with a larger share of GDP derived from professional services and information.

Figure 4

Iowa and U.S. Sector Share of Real GDP 2023 Q1 through Q3					
Industry	Iowa Share of Real GDP	Rank Within Iowa	U.S. Share of Real GDP	Rank Within U.S.	Relative Share – Iowa to U.S.
Private industries	89.6%		88.5%		
Agriculture, forestry, fishing, and hunting	6.8%	5	0.8%	20	8.37
Mining, quarrying, and oil and gas extraction	0.2%	20	1.3%	17	0.13
Utilities	1.6%	17	1.5%	16	1.05

Construction	3.8%	10	3.7%	10	1.02
Manufacturing	17.2%	1	10.2%	3	1.69
Durable goods manufacturing	9.0%		5.9%		1.53
Nondurable goods manufacturing	8.2%		4.3%		1.90
Wholesale trade	5.2%	8	5.1%	9	1.04
Retail trade	5.4%	7	5.7%	8	0.95
Transportation and warehousing	3.1%	12	3.3%	11	0.94
Information	3.2%	11	7.1%	6	0.45
Finance and insurance	13.3%	2	6.9%	7	1.91
Real estate and rental and leasing	9.1%	4	13.4%	1	0.68
Professional, scientific, and technical services	4.1%	9	9.2%	4	0.45
Management of companies and enterprises	1.9%	16	2.4%	14	0.78
Administrative and support and waste management and remediation services	2.2%	13	3.2%	12	0.67
Educational services	0.8%	19	1.2%	18	0.70
Health care and social assistance	6.6%	6	7.8%	5	0.84
Arts, entertainment, and recreation	0.9%	18	1.2%	19	0.73

Accommodation and food services	2.1%	14	3.0%	13	0.71
Other services (except government and government enterprises)	1.9%	15	1.9%	15	0.98
Government & Government Enterprises	10.4%	3	11.5%	2	0.91

Figure 5 shows the share of employment by each industrial sector for Iowa and the U.S. Notably, Iowa’s share of employment in farming is 3.6 times larger than for the U.S. Average income from salaries and wages tends to lag in this sector, as shown in figure 6. Commensurate with its share of GDP shown in figure 4, employment in professional, scientific, and technical services in Iowa equals only 60% of the U.S. share. Employment in the information sector in Iowa equals 70% of the U.S. share. These sectors tend to have high levels of income from wages and salaries, as shown in figure 6.

Figure 5

Iowa’s Distribution of Employment by Industry – 2022					
	Iowa – Employment Distribution	Iowa - % of Total Private Sector Employment	U.S. – Employment Distribution	U.S. - % of Total Private Sector Employment	Relative Share - Iowa to U.S.
Farm	89,652	4.9%	2,567,000	1.4%	3.6
Forestry, fishing, and related activities	17,052	0.9%	966,800	0.5%	1.8
Mining, quarrying, and oil and gas extraction	3,480	0.2%	1,050,200	0.6%	0.3
Utilities	6,123	0.3%	605,600	0.3%	1.0
Construction	122,748	6.7%	11,867,800	6.3%	1.1
Manufacturing	229,880	12.5%	13,523,700	7.2%	1.7

Wholesale trade	72,724	3.9%	6,757,300	3.6%	1.1
Retail trade	216,438	11.7%	19,510,300	10.4%	1.1
Transportation and warehousing	97,385	5.3%	11,473,500	6.1%	0.9
Information	26,000	1.4%	3,861,900	2.1%	0.7
Finance and insurance	148,523	8.1%	12,982,300	6.9%	1.2
Real estate and rental and leasing	91,759	5.0%	11,832,200	6.3%	0.8
Professional, scientific, and technical Services	86,815	4.7%	15,978,400	8.5%	0.6
Management of companies and enterprises	26,664	1.4%	2,953,800	1.6%	0.9
Administrative and support and waste management and remediation services	88,801	4.8%	13,058,300	6.9%	0.7
Educational services	42,971	2.3%	4,885,700	2.6%	0.9
Health care and social assistance	210,890	11.4%	23,545,500	12.5%	0.9
Arts, entertainment, and recreation	35,650	1.9%	4,457,300	2.4%	0.8
Accommodation and food services	126,731	6.9%	14,750,300	7.8%	0.9
Other services (except government and government enterprises)	104,116	5.6%	11,616,100	6.2%	0.9
Total Private		100.0%		100.0%	

Figure 6

Iowa's Distribution of Income from Wages and Salary by Industry -2022					
	Iowa -Average Income from Wages and Salaries by Sector	Iowa - % Share of Average Income from Wages and Salaries by Sector	U.S. - Average Income from Wages and Salaries by Sector	U.S. - % Share of Average Income from Wages and Salaries by Sector	Relative Share – Iowa to U.S.
Farm	\$7,873	0.9%	\$10,169	0.9%	1.0
Forestry, fishing, and related activities	\$18,682	2.1%	\$25,859	2.1%	0.9
Mining, quarrying, and oil and gas extraction	\$45,232	5.2%	\$63,214	5.2%	0.9
Utilities	\$98,496	11.2%	\$116,344	11.2%	1.1
Construction	\$45,111	5.1%	\$49,559	5.1%	1.2
Manufacturing	\$67,480	7.7%	\$76,518	7.7%	1.1
Wholesale trade	\$73,746	8.4%	\$85,653	8.4%	1.1
Retail trade	\$26,683	3.0%	\$33,109	3.0%	1.0
Transportation and warehousing	\$39,092	4.5%	\$36,510	4.5%	1.4
Information	\$53,937	6.2%	\$115,704	6.2%	0.6
Finance and insurance	\$63,542	7.2%	\$68,296	7.2%	1.2

Real estate and rental and leasing	\$9,639	1.1%	\$15,461	1.1%	0.8
Professional, scientific, and technical services	\$53,910	6.1%	\$78,619	6.1%	0.9
Management of companies and enterprises	\$99,141	11.3%	\$124,310	11.3%	1.0
Administrative and support and waste management and remediation services	\$35,793	4.1%	\$41,015	4.1%	1.1
Educational services	\$27,703	3.2%	\$40,082	3.2%	0.9
Health care and social assistance	\$46,904	5.4%	\$54,386	5.4%	1.1
Arts, entertainment, and recreation	\$14,282	1.6%	\$27,847	1.6%	0.7
Accommodation and food services	\$22,386	2.6%	\$29,790	2.6%	1.0
Other services (except government and government enterprises)	\$27,016	3.1%	\$29,249	3.1%	1.2
Total Private		100.0%		100.0%	

Economic Performance Index Components

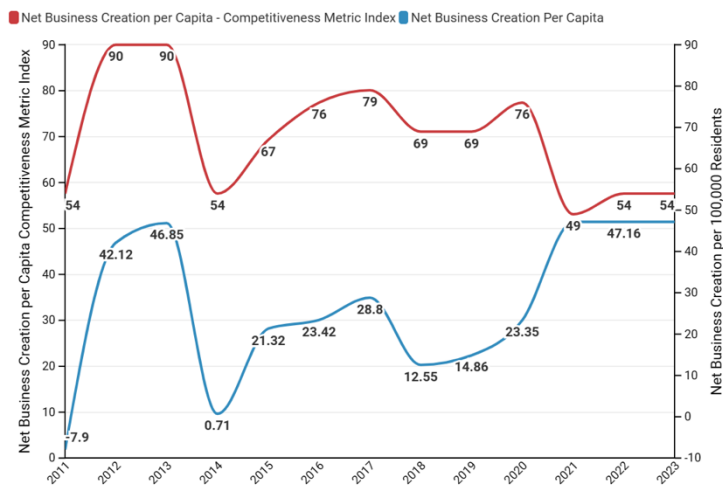
The following sections of this report break down each metric in the Economic Performance Index, illustrating that a state's score on the index is a relative measure.

Net Business Creation per Capita

Net business creation per capita in Iowa increased dramatically from 2011 to 2014 before dropping through 2020. It has picked up since 2021. Based on the competitiveness metric index relative to other states, however, it declined from 90 in 2013 to 54 in 2023, putting it near the bottom today. One can conclude that net business creation per capita in other states was much more robust.

Figure 7

Net Business Creation per Capita- Iowa

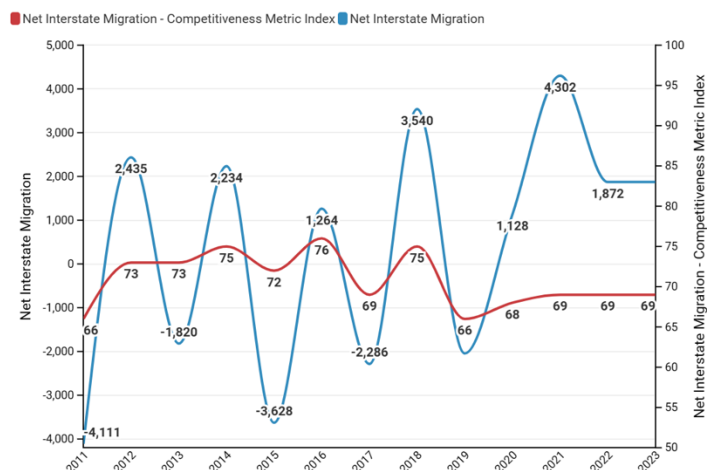


Net Interstate Migration

Net interstate migration fluctuates from year to year, but it has been increasing on average in Iowa over the past 14 years. Relative to all other states and D.C., however, based on the competitiveness metric index Iowa has improved only slightly relative to all other states and D.C., rising from 66 in 2011 to 69 in 2023.

Figure 8

Net Interstate Migration- Iowa



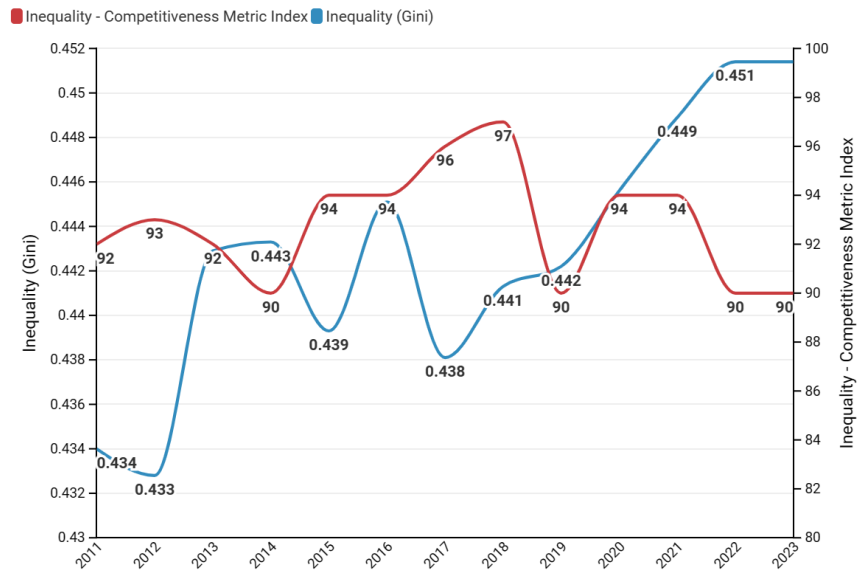
Inequality

CSI utilizes the Gini coefficient to measure inequality. A Gini coefficient of 0 reflects perfect equality, where all income or wealth values are the same. A Gini coefficient of 1 (or 100%) reflects maximal inequality among values—a situation where a single individual has all the income, and all others have none.

Inequality in Iowa as measured by the Gini coefficient has increased by 3.9% from 0.434 in 2011 to 0.451 in 2023. Despite this, Iowa's performance in terms of inequality remains in the top quintile of all fifty states and D.C.

Figure 9

Inequality- Iowa

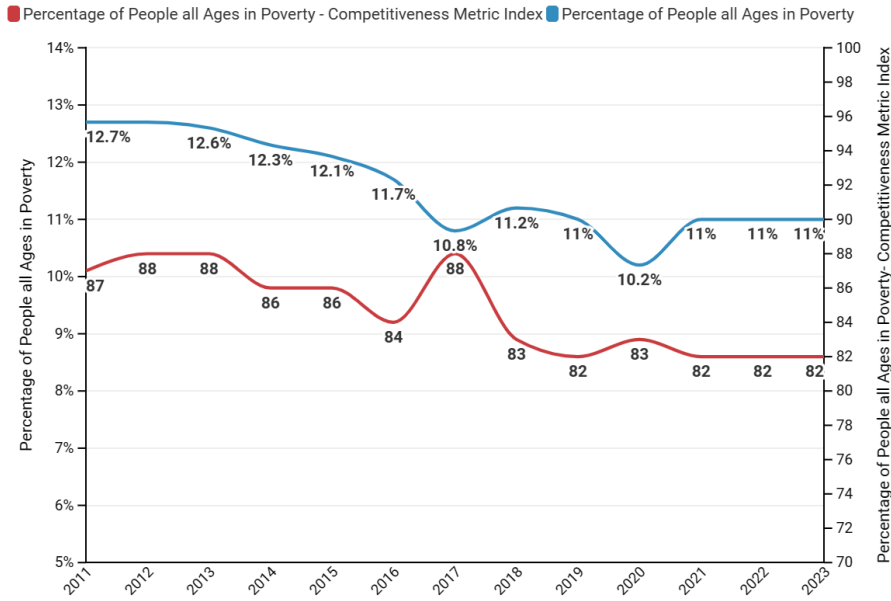


Percentage of People of Ages in Poverty

The percentage of all people in poverty in Iowa has improved since 2011, falling from 12.7% in 2011 to 11% in 2023. Relative to the 49 other states and D.C., however, it has fallen behind. The state has decreased from 87 in 2011 to 82 in 2023 in this component of the Economic Performance Index.

Figure 10

Percentage of People all Ages in Poverty- Iowa



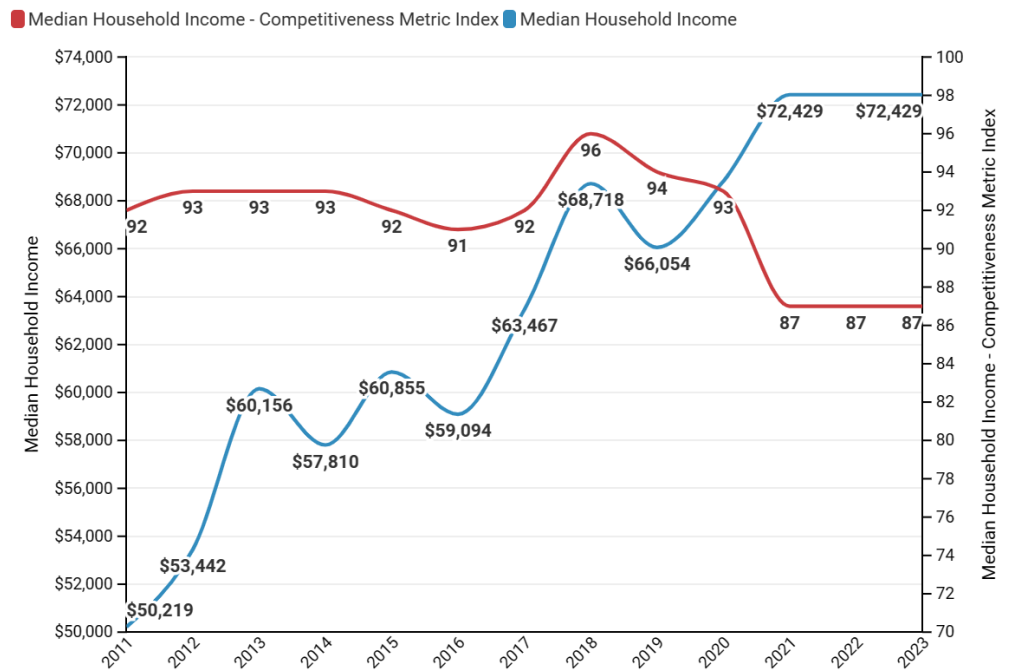
Median Household Income

Median household income in Iowa has increased by 44.2% from \$50,219 in 2011 to \$72,429 in 2023. This exceeds the 32.2% increase in inflation in the Midwest over the same period.

Relative to 49 other states and D.C., however, as measured by the competitiveness metric Iowa has fallen from 92 in 2011 to 87 in 2023. Median household income in other states has increased more.

Figure 10

Median Household Income - Iowa

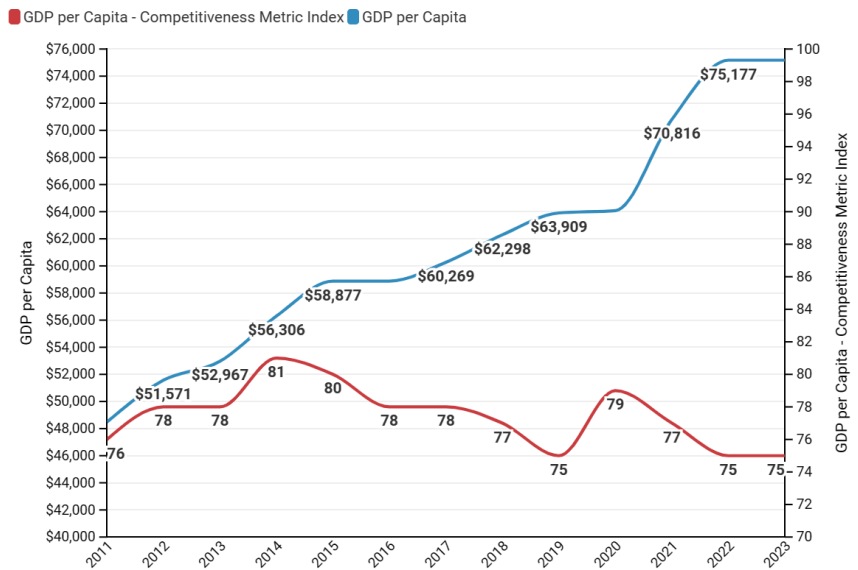


GDP per Capita

Iowa's per capita GDP increased 55% from \$51,571 in 2011 to \$75,177 in 2023. This resulted in a slight decrease in their competitiveness metric from 76 to 75, meaning relative GDP per capita growth remained unchanged.

Figure 12

GDP per Capita - Iowa



Labor Force Participation

Labor force participation in Iowa decreased by 1.3% from 82.2% in 2011 to 80.9% in 2023. Compared to 49 other states and D.C., Iowa's labor force participation rate is in the top quintile despite the competitiveness metric falling from 94 to 91.

Figure 13

Labor Force Participation - Iowa

