Outline

- South Dakota Economy
  - GDP
  - Labor Market Conditions
  - Fiscal situation
  - Drought and Farm Income
South Dakota

- Steady GDP growth
  - Took less of a hit in the recession; slower growth after
  - Drought in 2012 offers lessons for 2017
South Dakota

- Tight labor markets
  - Low Unemployment
  - Labor Force Participation at 69%
- Growth in non-farm employment continues
  - Trade and Transportation
  - Financial Activities
  - Education and Health Services
  - Leisure and Hospitality
NONFARM EMPLOYMENT

Job Loss P to T
US -8.7 mil -6.3%
SD -12.7 thous -3.1%

Ratio Scale

SD Recession Begins =>

Source: BLS
South Dakota

- Sales tax
  - Broad based
  - Recent increase (4.0% to 4.5%) increased revenues by less than expected
  - Lower spending on farm equipment, low inflation, e-commerce growth
Sales Tax Erosion: Adjusted Sales Tax Base vs. Economic Growth Measures

FY1988 = 1.0

- Nonfarm Income
- Sales tax base (excl farm equip)
- Disp. Personal Income
- SD GDP (current dollar)
South Dakota

- Drought Impact
  - Farm income was already declining from the 2014 peak
    - Strong dollar
    - High yields
    - Weaker demand
  - Declining production in SD affects both farm and ranch
    - Insurance payments low
    - Secondary effects
FARM INCOME

Source: BEA

Billions


5 Year Avg
% of PI
US = 0.7%
SD = 7.2%
South Dakota Summary

- Forecasts
  - GDP growth was expected to be 2.4% in 2017 and 2018, but will be lower
  - Employment growth likely to stay steady at 1% in 2017
  - Unemployment likely to stay low
  - Income growth likely to grow at a moderated pace
  - Housing starts expected to stay strong