

Federal Reserve Bank of Minneapolis

Regional Economic Conditions Conference

2017

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# Outline

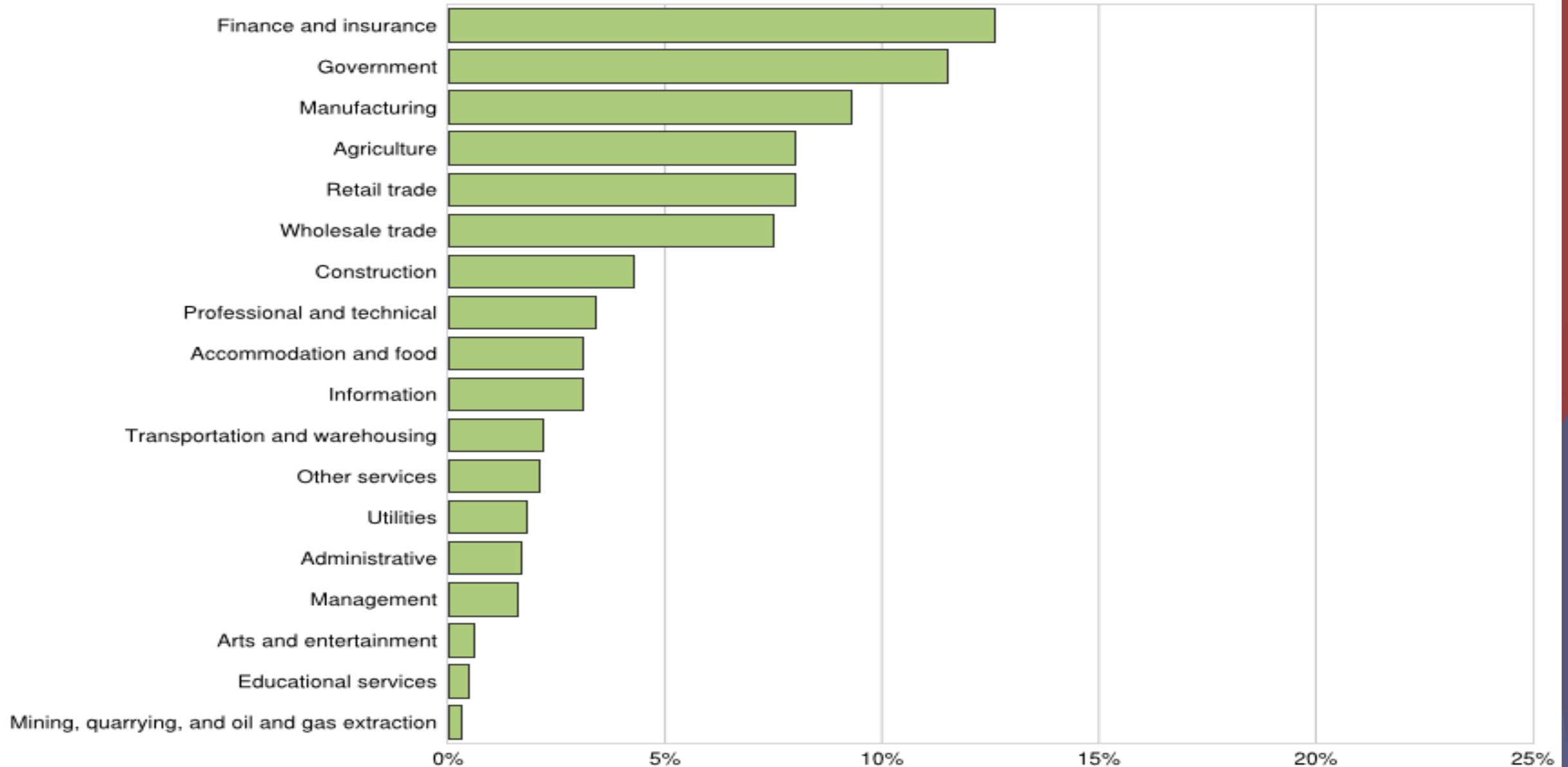
- ▶ South Dakota Economy
  - ▶ GDP
  - ▶ Labor Market Conditions
  - ▶ Fiscal situation
  - ▶ Drought and Farm Income

# South Dakota

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

# Share of Gross Domestic Product by industry sector

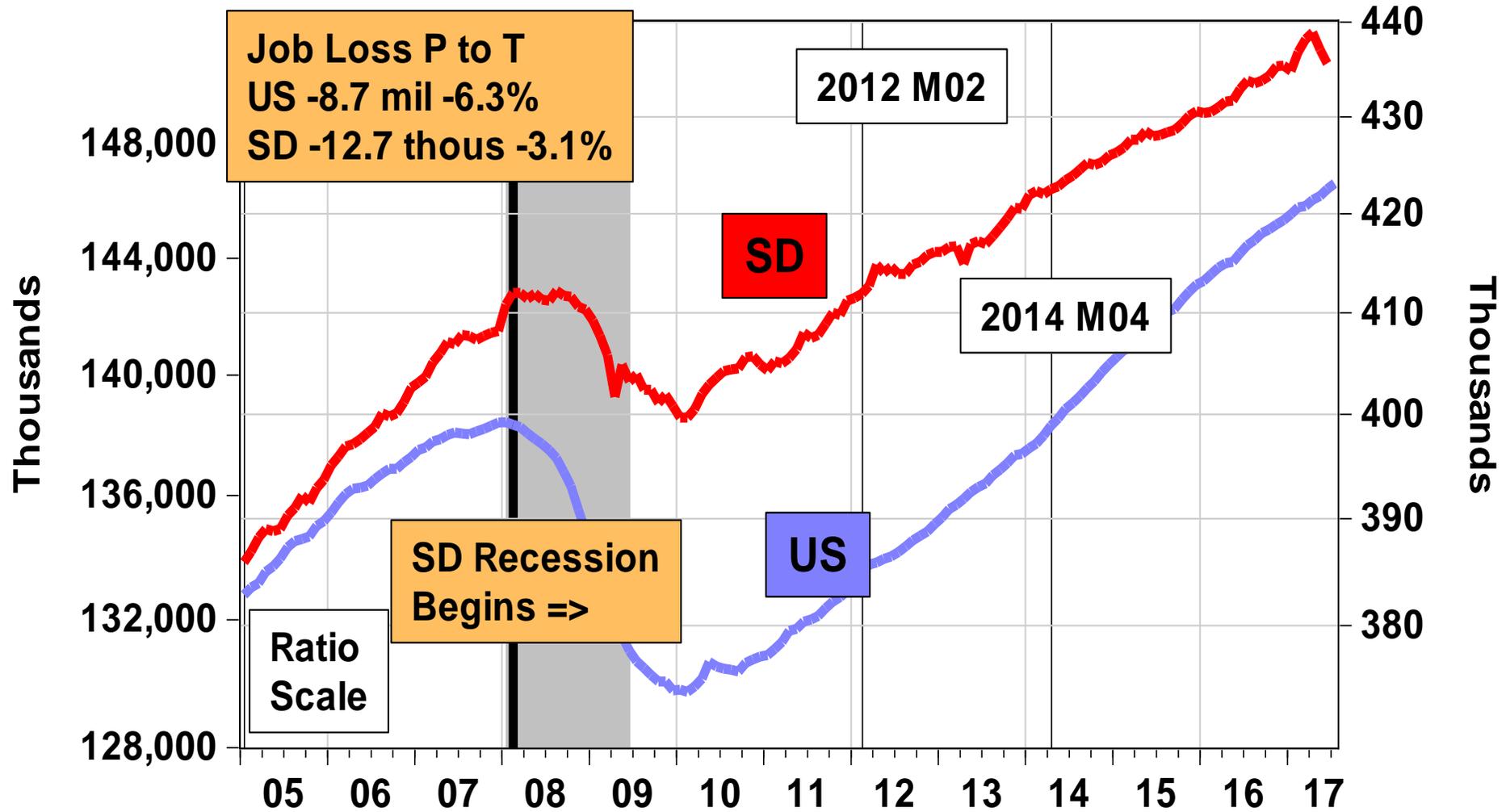
South Dakota, 2016



# 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



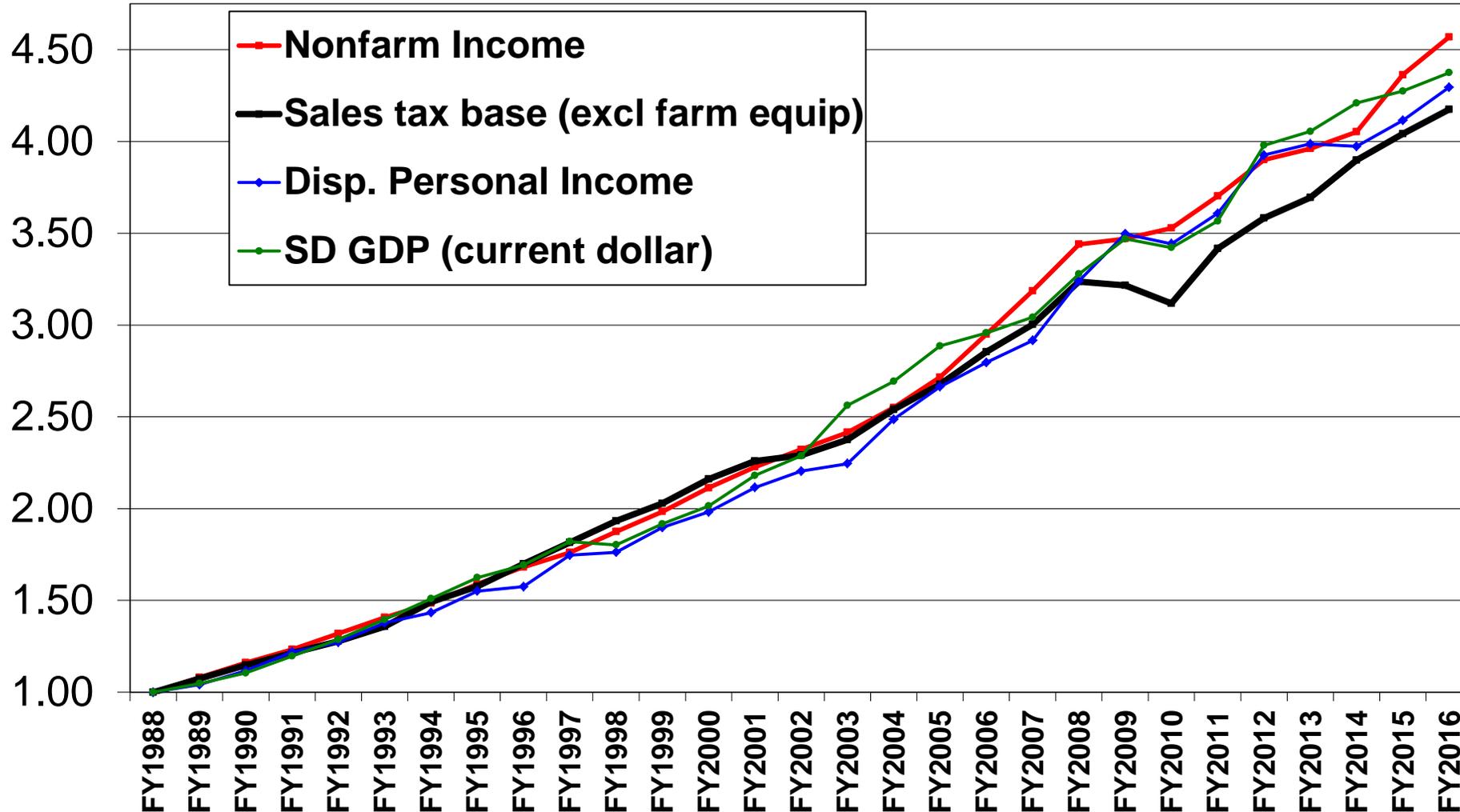
Source: BLS

# 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

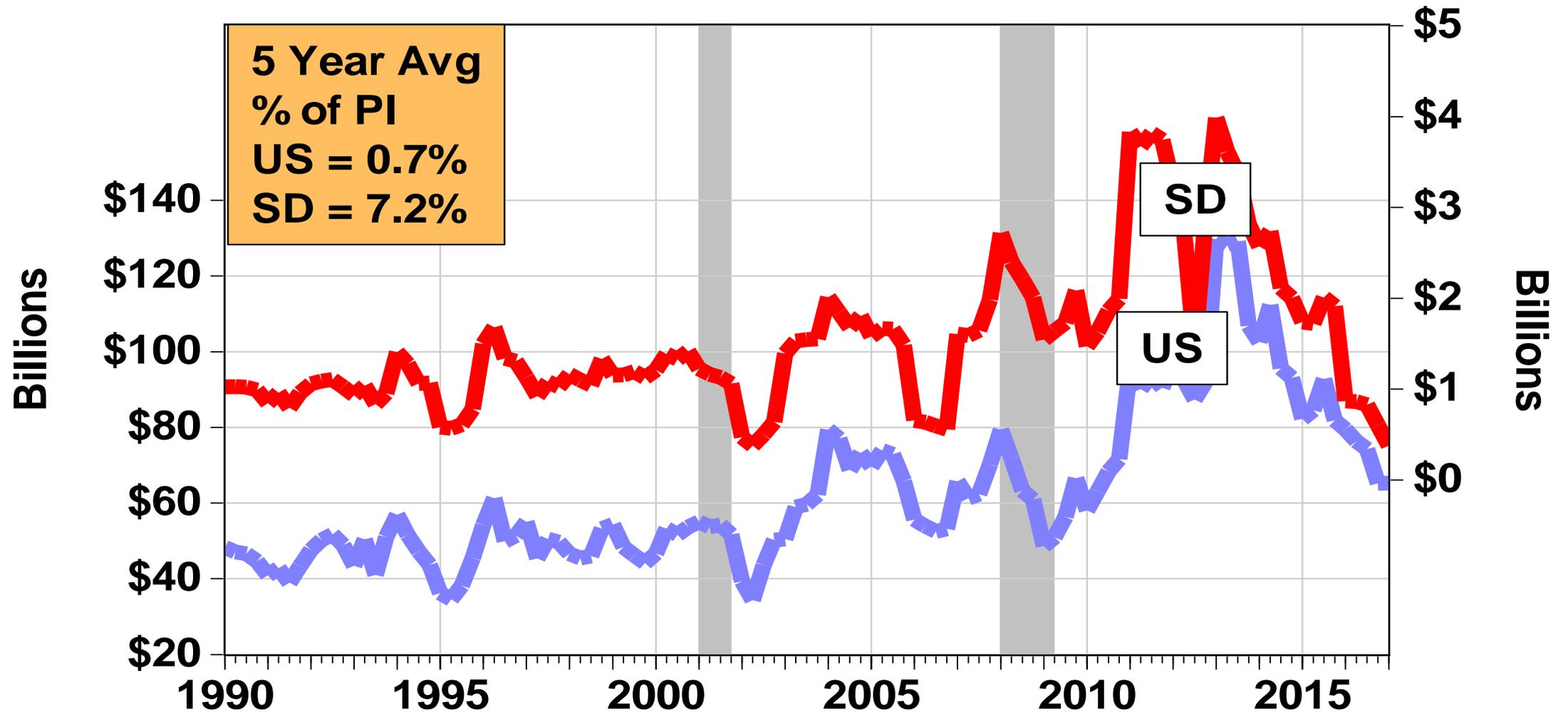
FY1988 = 1.0



# 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

# 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