



## South Dakota Economic and Revenue Update

**June 2016**

### **Recent Economic Indicators**

- SD's most recent total nonfarm employment as of April 2016 is up 4,100 jobs or 1.0%, compared to the same month a year ago.
- The unemployment rate in SD for April 2016 was 2.5%, the lowest in the nation.
- Nonfarm income in South Dakota for 2015 grew 4.2% compared to the national growth rate of 4.6% over the same time period.
- Farm income in South Dakota for 2015 totaled \$1.1 billion, which was down from \$2.6 billion in 2014, a decrease of 56.7%.
- South Dakota's real Gross Domestic Product for 2015 increased 1.8% over 2014, which ranked 22<sup>nd</sup> among all states.

### **Recent General Fund Revenue Activity**

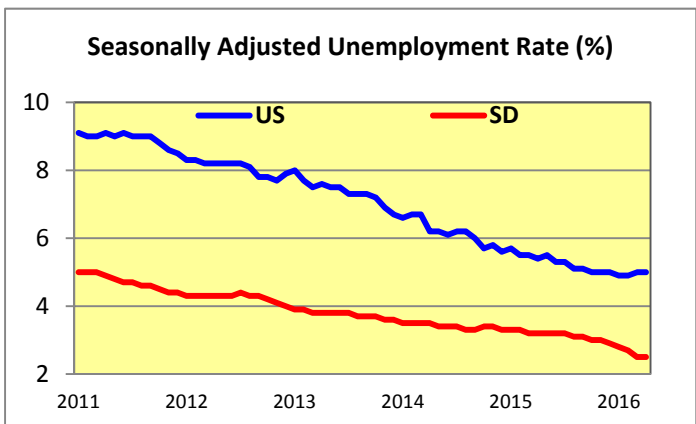
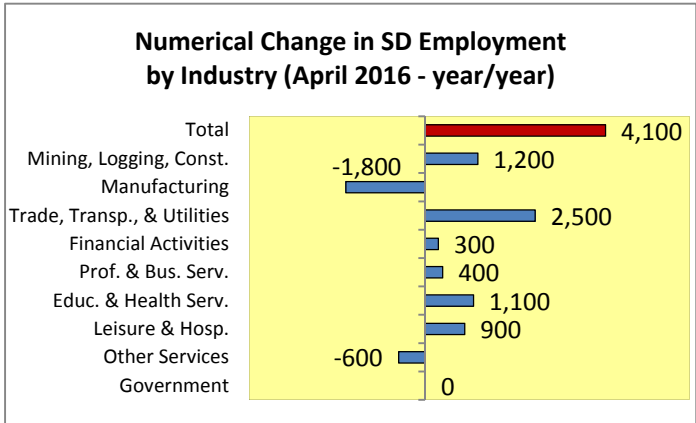
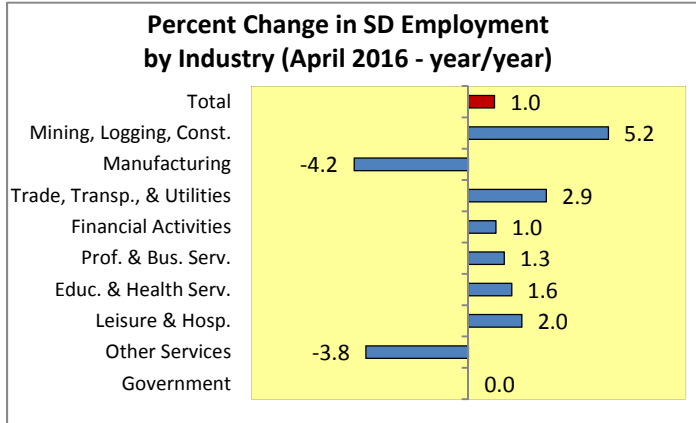
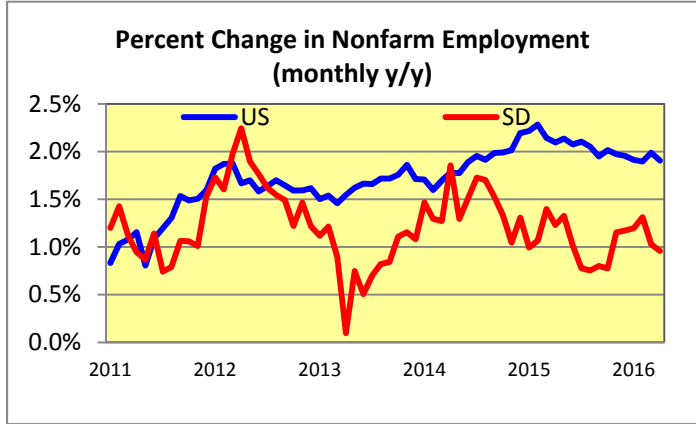
- State general fund revenue continues to be higher than a year ago, but growth has slowed in recent months. Total revenue is up 5.2% year-to-date in FY2016.
- Through four months since the most recent adopted FY2016 revenue estimate (Feb 2016), actual cumulative general fund collections are \$1.4 million lower than the most recent adopted estimate.

### Employment/Labor Force

South Dakota’s economy has been expanding since early 2010, primarily due to a robust agriculture sector in the early part of the decade, a steadily growing national economy and the state’s business friendly environment. The state’s employment growth exceeded the national growth before and during the 2007-2009 national recession. Since early 2013, the growth of US employment has exceeded that of South Dakota. However, one has to keep in mind that South Dakota’s loss of jobs during the ’07-’09 recession was only about half of the nation in relative terms. In April 2016, the most recent data that is available, South Dakota’s year-over-year nonfarm employment was up 1.0% while US nonfarm employment was up 1.9%.

On an annual basis during 2015, South Dakota nonfarm employment levels were 4,400 jobs higher than 2014, or an increase of 1.0% after benchmark revisions. Employment growth in 2015 marks the fifth year consecutive year of annual employment gains in South Dakota, indicating continued economic growth for the state. As of April 2016, South Dakota’s nonfarm employment has grown on a year-over-year basis for 71 consecutive months. In April, total SD nonfarm employment was up 4,100 jobs or 1.0%, compared to April 2015. Sectors that have contributed to employment growth over the past several months include: mining, logging, and construction; trade, transportation, and utilities; professional and business services; education and health services; and leisure and hospitality. Employment sectors that are flat or lagging include manufacturing, financial activities, other services, and government.

South Dakota’s unemployment rate continues to be one of the lowest in the nation. In April 2016, the unemployment rate in South Dakota was 2.5%, while the national unemployment rate stood at 5.0%. South Dakota’s unemployment rate for the month of April was the lowest in the nation. The unemployment rate in April of 2016 was the same as the previous month and 0.7% lower than a year ago, a sign of a very tight labor market that will continue to put pressure on wages.



### Employment/Labor Force continued

The labor force participation rate is the percentage of people who are working or actively looking for work compared to the civilian population over 16 years old, a measure of the active portion of an economy’s labor force. The US labor force participation rate peaked at slightly more than 67% in the late 1990’s and has declined since, particularly during the ’07-’09 recession. The US rate has remained steady in recent years, currently at 62.8%. South Dakota and many surrounding states have a significantly higher participation rate, meaning a more actively engaged labor force compared to the national average. South Dakota’s participation rate has declined from a peak of over 73% in the early 2000’s to holding steady around 69.5% the past few years.

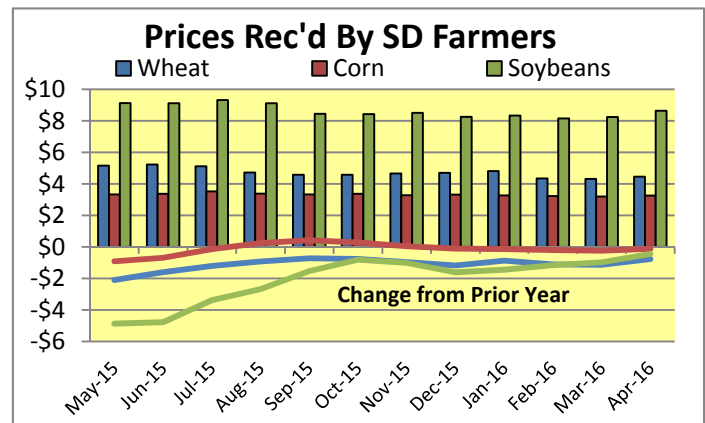
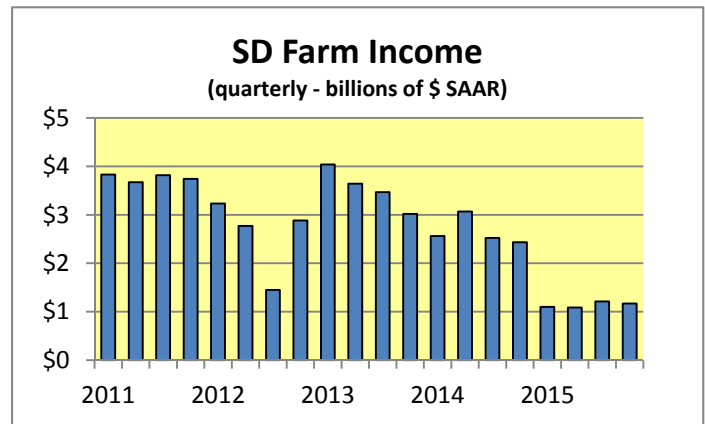
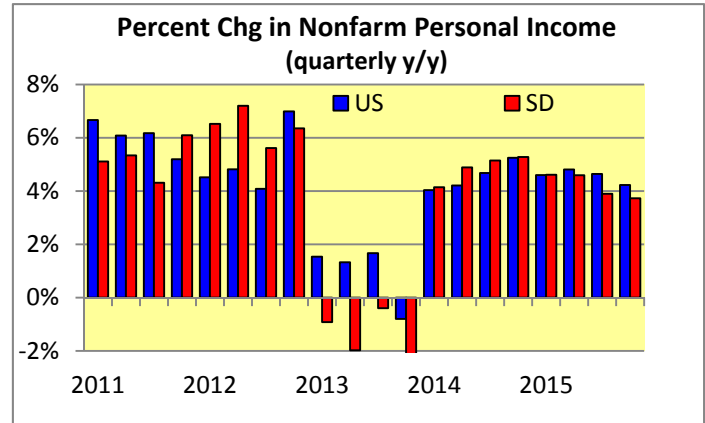
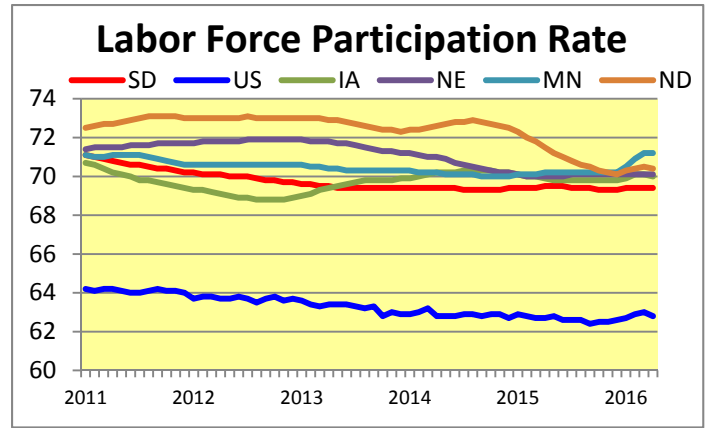
### Nonfarm Personal Income

Nonfarm personal income growth in South Dakota has performed similar to the US average over the past several years. The chart at the right shows the year over year percent change in nonfarm personal income for South Dakota and the United States on a quarterly basis from 2011 through the fourth quarter of 2015, which is the most recent data that is available. On an annual basis, SD nonfarm personal income increased 4.9% in 2014 and 4.2% in 2015. In comparison, the US nonfarm personal income growth was 4.6% in both 2014 and 2015.

### Farm Income/Crop Prices

South Dakota farm income realized strong earnings from the late 2000’s through 2013, before declining in 2014 and 2015. The recent declines are primarily due to lower crop prices from a strong US dollar and weak foreign economic growth. SD farm income peaked in 2011 at \$3.8 billion and registered \$1.1 billion in 2015 on an annual basis.

Crop prices received by SD farmers for wheat, corn, and soybeans continue to be lower than a year ago as of April 2016. Wheat prices received were \$4.46 or \$0.77 lower than the same month a year ago. Corn prices were \$3.26 or \$0.12 lower than a year ago. Lastly, soybeans prices were \$8.64 or \$0.44 lower compared to a year ago.



### Housing/Auto Indicators

Housing activity has held steady in South Dakota during the most recent 12 month period. Over the past 12 months (May 2015 through April 2016), the total number of housing units authorized by building permits were 4,086 or up by 269 units from the prior 12 month period. Single family units totaled 2,136 in the past 12 months, which was down 212 compared to the prior 12 month period. The value of housing units authorized by permits continues to be higher. Over the past 12 months, the total valuation of housing permits is \$74.3 million higher than the prior 12 month period.

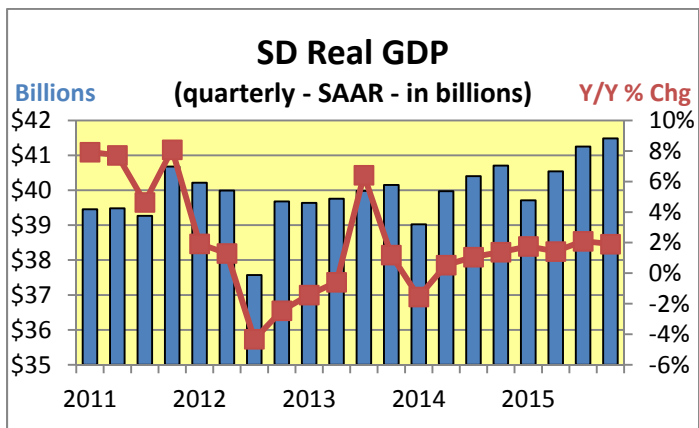
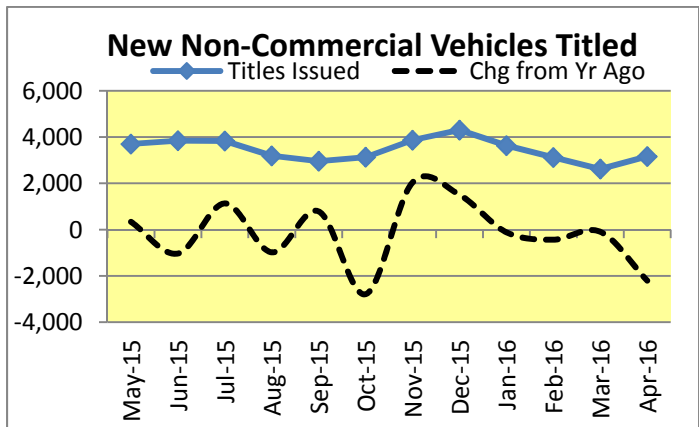
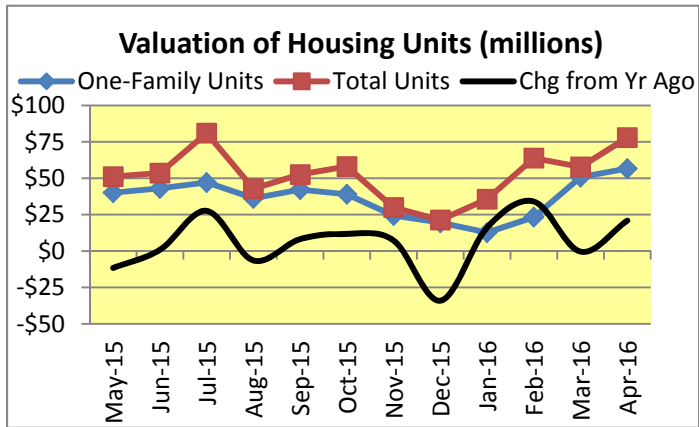
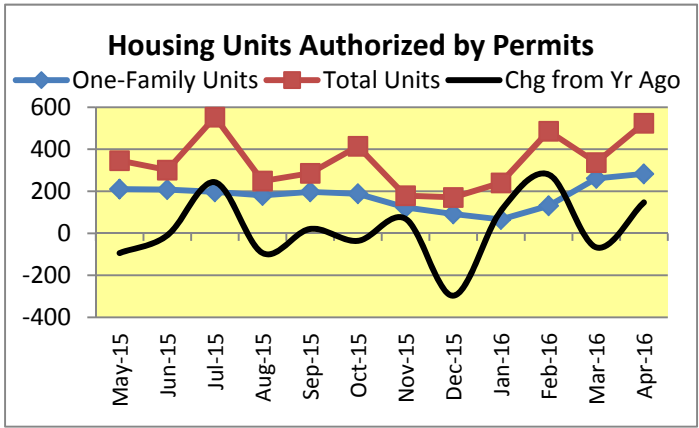
The total of new non-commercial vehicles titled in South Dakota is lower over the past 12 months, totaling 41,361 titles or a decrease of 1,866 over the prior 12 month period. In April 2016 there were 3,163 titles issued in South Dakota, down 2,206 from a year ago.

### South Dakota real GDP

The Bureau of Economic Analysis (BEA) recently began publishing quarterly Gross Domestic Product (GDP) by state data for all 50 states. Quarterly data can be volatile due to preliminary figures being revised in later periods as is common with national GDP estimates from the BEA. The most recent quarterly data is through the fourth quarter of 2015.

South Dakota’s real GDP estimates can be seen at the bottom chart on this page. Over the past five years, SD’s real GDP has been volatile with strong year-over-year increases realized in 2011, followed by declines in 2012 and early 2013, partially due to the extreme drought’s impact on agriculture production experienced during 2012. Slow and steady growth with weak first quarter numbers were experienced in 2014 and 2015. SD’s real GDP improved over the course of 2015, increasing from the yearly low in the first quarter of \$39.7 billion (seasonally adjusted annual rate – SAAR) to \$41.5 billion in the fourth quarter.

On an annual basis in 2015, South Dakota’s real GDP increased 1.8% over 2014, which ranked 22<sup>nd</sup> among all states. This compares to the US growth rate of 2.4% over the same time period.



### Recent State General Fund Collections

Overall ongoing state general fund collections (excludes one-time receipts) have been mixed recently and collections through May of the current fiscal year have softened compared to the first several months of the fiscal year. Through the first quarter of FY2016, collections were 7.3% higher than the same quarter a year ago. Now, through May of 2016, or 11 months through the fiscal year, year-to-date growth of general fund receipts have softened to 5.2% growth compared the same time period a year ago.

As compared to the most recent legislative adopted estimate, which was recently revised in February of 2016, there have been four months of actual collections to compare to estimated levels. Most recently in May, actual collections were \$1.0 million lower than the adopted estimate. Cumulatively over the past four months, collections are \$1.4 million below adopted levels. More detail regarding general fund revenue collections can be found at the BFM’s financial metrics/dashboards website at [bfm.sd.gov/dashboards](http://bfm.sd.gov/dashboards).

Sales and Use tax is the largest component of the state general fund revenue stream, accounting for over 60% of general fund revenue that pay for essential state services. Due to South Dakota’s broad based sales tax, it is also a useful economic indicator to gauge how well South Dakota’s economy is performing. Sales tax collections started the current fiscal year strong with growth rates in excess of 6%, but have weakened as the year progressed due to lower spending on agriculture equipment, low inflation and growth in e-commerce sales. Through May 2016 fiscal year-to-date collections are up 2.6% compared to the same time period a year ago.

Contractor’s Excise tax collections are another important source of revenue, contributing about 7% of total ongoing general fund revenue and offers an indicator on the health of construction activity across the state. The past four months have registered negative year-over-year growth rates due to record high collections from the previous year. After a record year of collections in FY2015, year-to-date collections so far in FY2016 are positive at +1.5% growth through May.

