



South Dakota Economic and Revenue Update

July 2016

Recent Economic Indicators

- SD's most recent total nonfarm employment as of June 2016 is up 7,400 jobs or 1.7%, compared to the same month a year ago.
- The unemployment rate in SD for June 2016 was 2.7%, the lowest in the nation.
- Nonfarm income in South Dakota for the first quarter of 2016 grew 3.7% compared to the national growth rate of 4.5% 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 22nd among all states.

Recent General Fund Revenue Activity

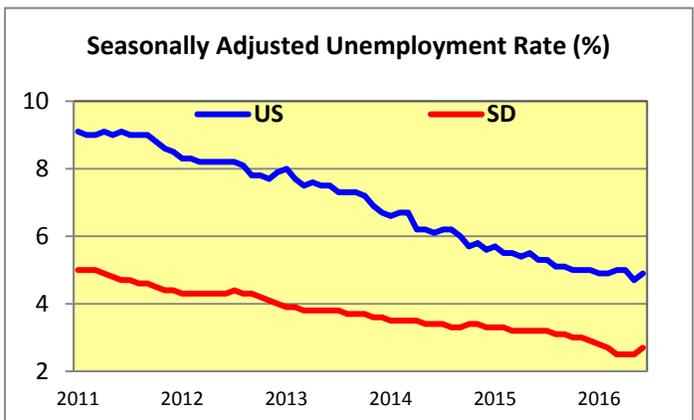
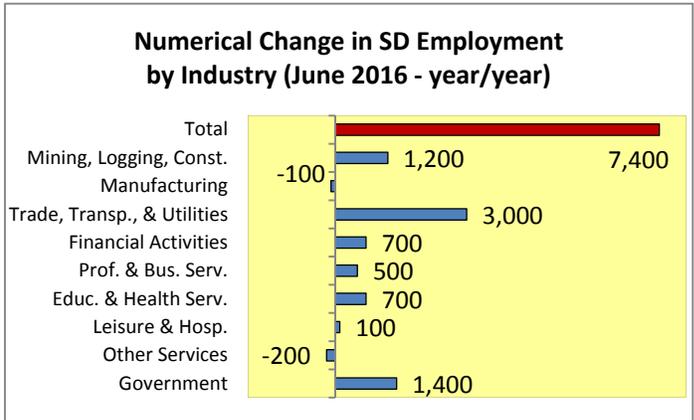
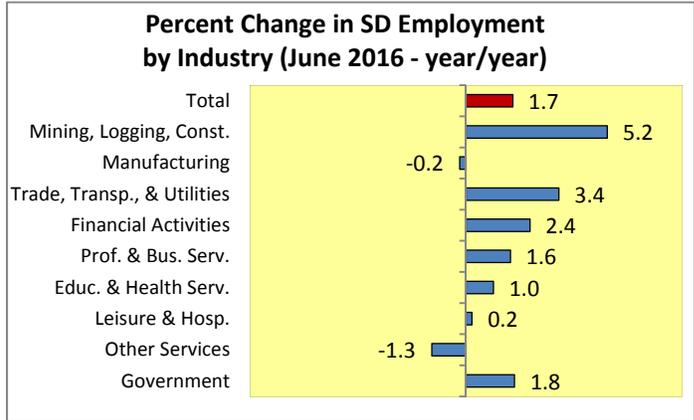
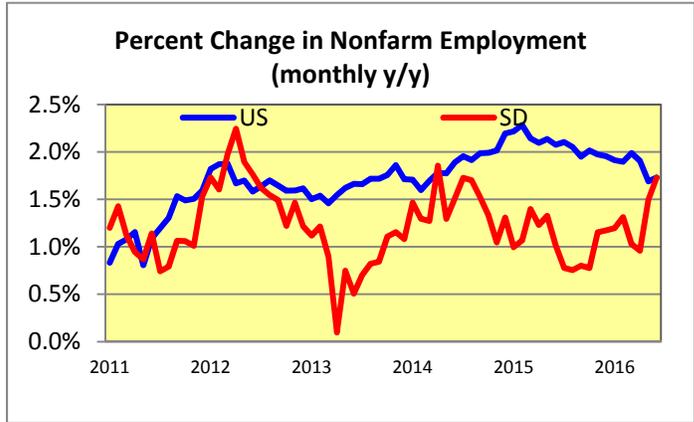
- State general fund revenue FY2016 on a positive note with ongoing collections higher than the budgeted estimate by \$1.7 million. Total FY2016 ongoing revenue grew 4.1% over FY2015 totals collections.
- The state general fund finished FY2016 with a \$14.1 million cash surplus, of which \$3.6 million was a result of improved total revenue (ongoing and one-time) and \$10.5 million from lower spending.

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 June 2016, the most recent data that is available, South Dakota’s year-over-year nonfarm employment was up 1.7% which was the same as US nonfarm employment of 1.7%.

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 June 2016, South Dakota’s nonfarm employment has grown on a year-over-year basis for 73 consecutive months. In June, total SD nonfarm employment was up 7,400 jobs or 1.7%, compared to June 2015. Sectors that have contributed to employment growth over the past several months include: mining, logging, and construction; trade, transportation, and utilities; financial activities; professional and business services; education and health services; and leisure and hospitality. Employment sectors that are flat or lagging include manufacturing and other services.

South Dakota’s unemployment rate continues to be one of the lowest in the nation. In June 2016, the unemployment rate in South Dakota was 2.7%, while the national unemployment rate stood at 4.9%. South Dakota’s unemployment rate for the month of June was the lowest in the nation. The unemployment rate in June of 2016 was 0.2% higher than the previous month, but 0.5% 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 62.7%. 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.

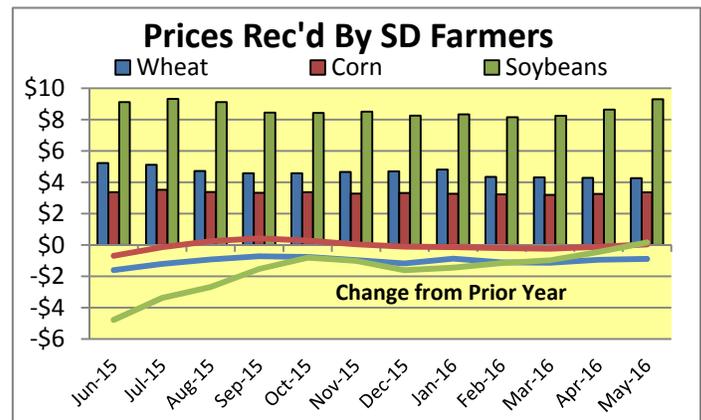
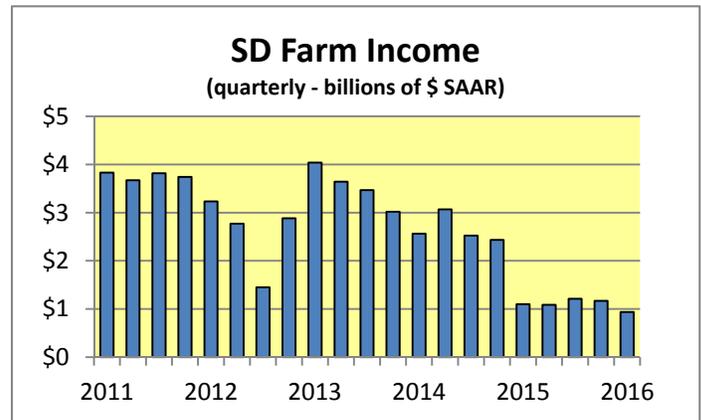
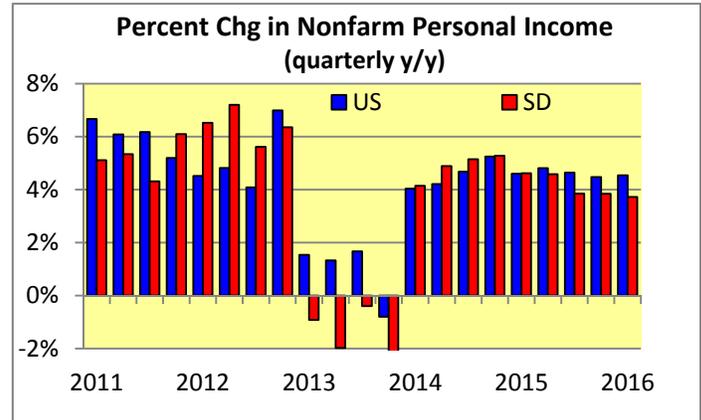
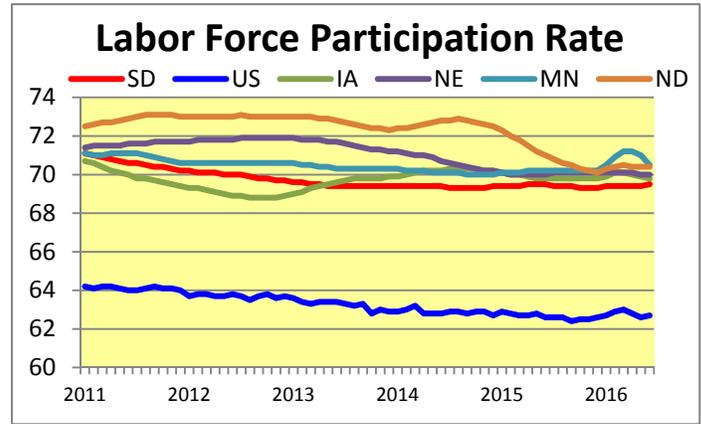
Nonfarm Personal Income

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 first quarter of 2016, 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. In the first quarter of 2016 SD farm income was \$0.9 billion.

Crop prices received by SD farmers for corn and soybeans were slightly higher than a year ago, while wheat was lower as of May 2016. Corn prices were \$3.36 or \$0.03 higher compared to a year ago. Soybeans prices were \$9.30 or \$0.17 higher, while wheat prices received were \$4.27 or \$0.89 lower than the same month a year ago.



Housing/Auto Indicators

Housing activity has improved in South Dakota during the most recent 12 month period. Over the past 12 months (July 2015 through June 2016), the total number of housing units authorized by building permits were 4,716 or up by 1,003 units from the prior 12 month period, driven by increases in multi-family units. Single family units totaled 2,247 in the past 12 months, which was down 28 units 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 \$158.9 million higher than the prior 12 month period.

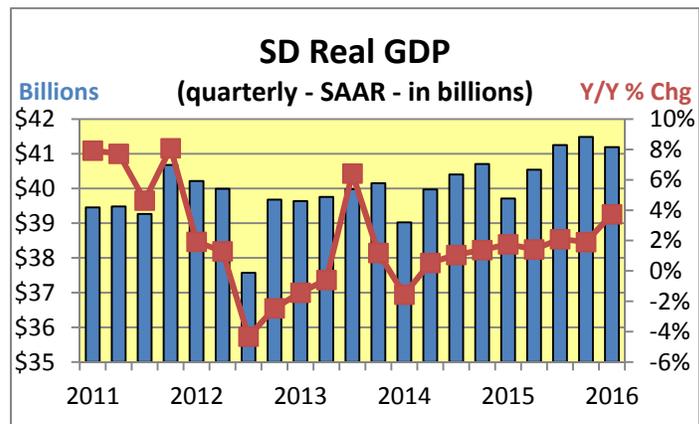
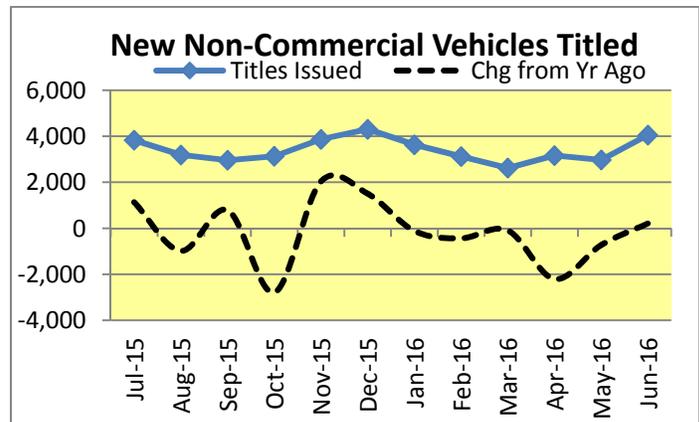
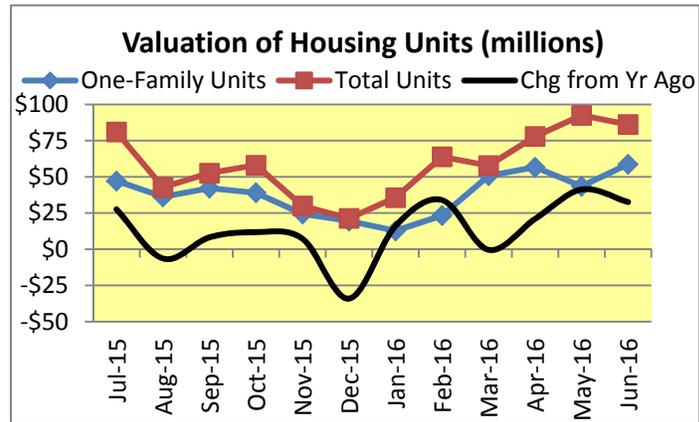
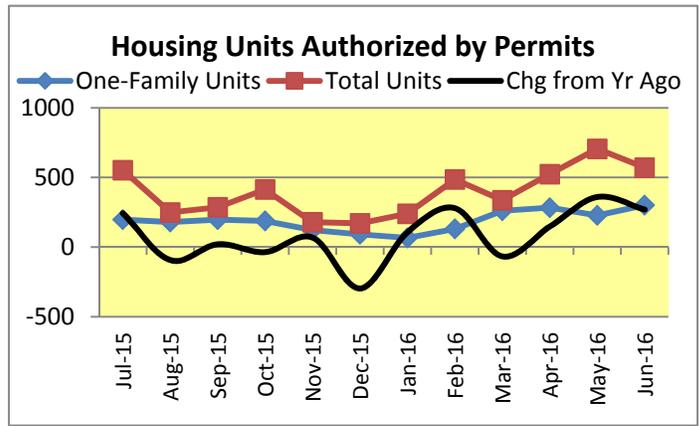
The total of new non-commercial vehicles titled in South Dakota is lower over the past 12 months, totaling 40,844 titles or a decrease of 1,685 over the prior 12 month period. In June 2016 there were 4,054 titles issued in South Dakota, up 211 from a year ago.

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 first quarter of 2016.

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 from 2014-2016. SD's real GDP improved over the course of 2015, with a slight decrease in the first quarter of 2016 to \$41.2 billion. However, the first quarter 2016 GDP registered a positive 3.7% year-over-year growth rate compared to the previous year.

On an annual basis in 2015, South Dakota's real GDP increased 1.8% over 2014, which ranked 22nd among all states.



Recent State General Fund Collections

Overall ongoing state general fund collections (excludes one-time receipts) have been soft recently, but collections in June finished the state fiscal year positively. Collections in June totaled \$118.7 million and total growth of FY2016 ongoing general fund receipts was 4.1% higher than FY2015.

As compared to the most recent legislative adopted estimate, which was recently revised in February of 2016, there have been five months of actual collections to compare to estimated levels. Most recently in June, actual collections were \$2.1 million higher than the adopted estimate. Cumulatively over the past five months, ongoing collections were \$1.7 million higher than adopted levels after year-end adjustments. More detail regarding general fund revenue collections can be found at the BFM’s financial metrics/dashboards website at bfm.sd.gov/dashboards. South Dakota’s budget finished FY2016 with a \$14.1 million cash surplus from both higher revenue and lower receipts. Further details are available at bfm.sd.gov.

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 weakened as the year progressed due to lower spending on agriculture equipment, low inflation and growth in e-commerce sales. In June, the sales tax finished the year strong with 6.0% y/y growth. For the full fiscal year sales tax grew 2.9% compared to FY2015.

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 five 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, total collections in FY2016 finished the year positive at +1.4% through June.

