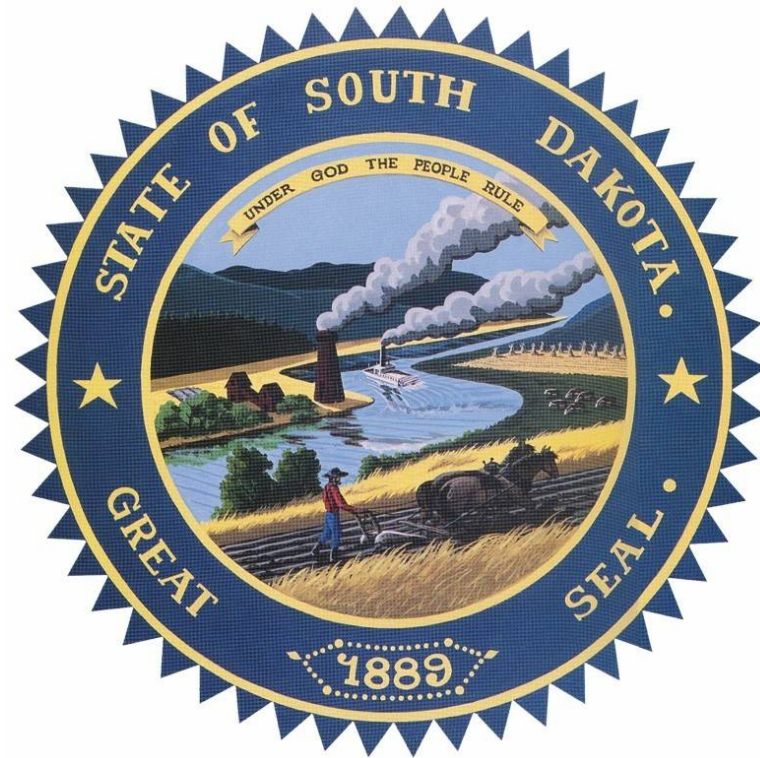
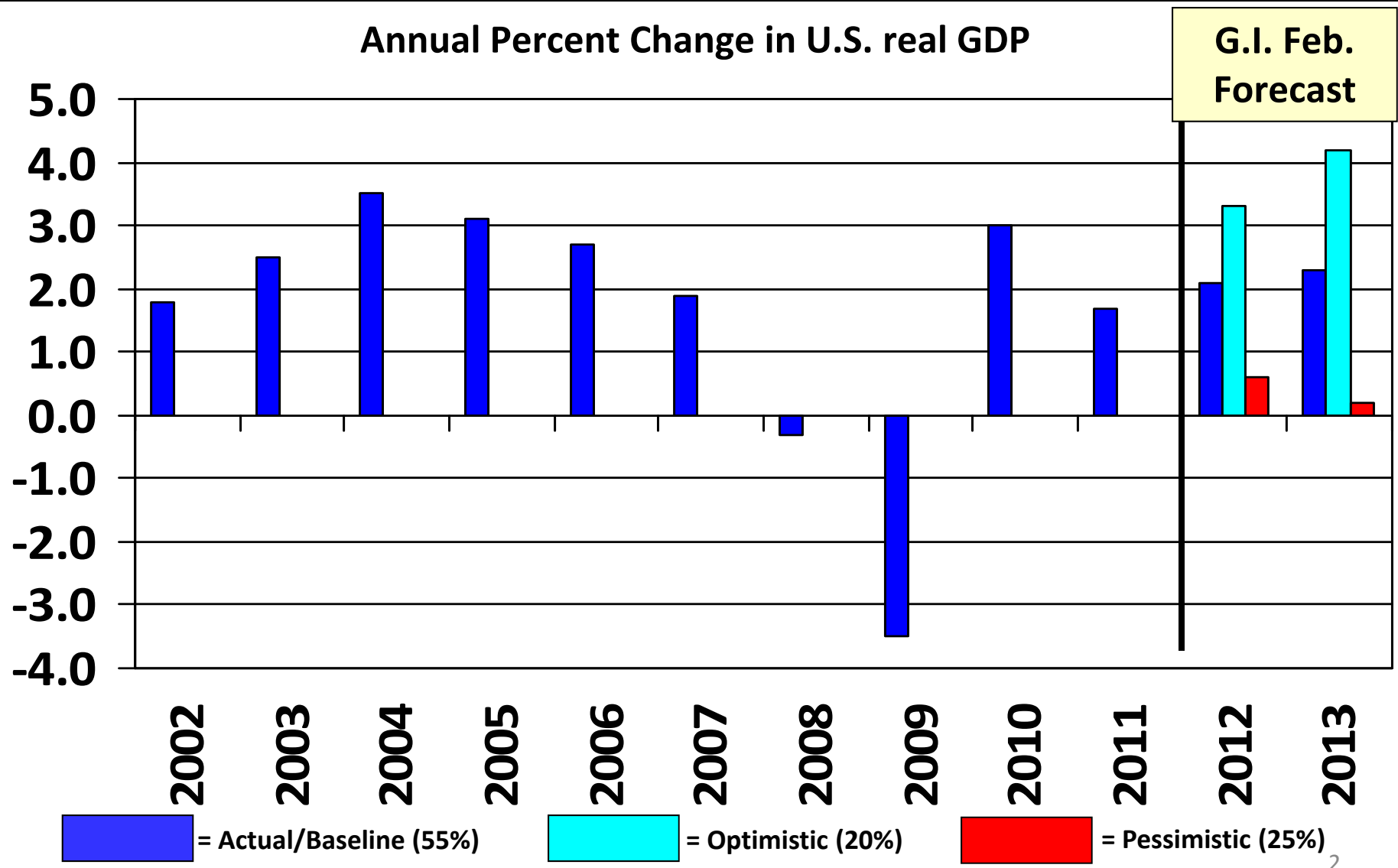


South Dakota and U.S. Economic Outlook Overview



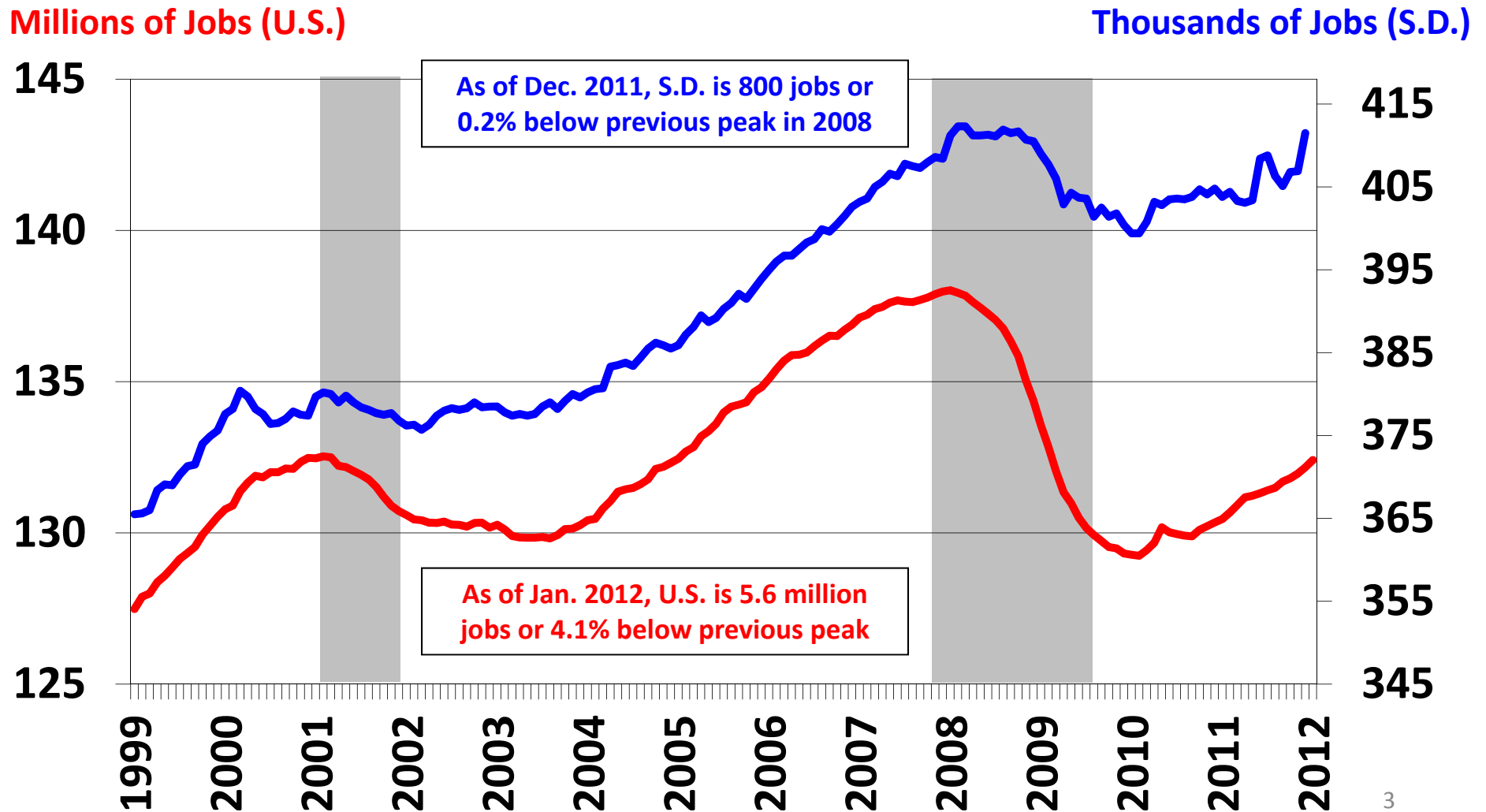
Presented to Joint Appropriations Committee
February 23, 2012

U.S. Economic Outlook is more balanced, but recession risks are still elevated



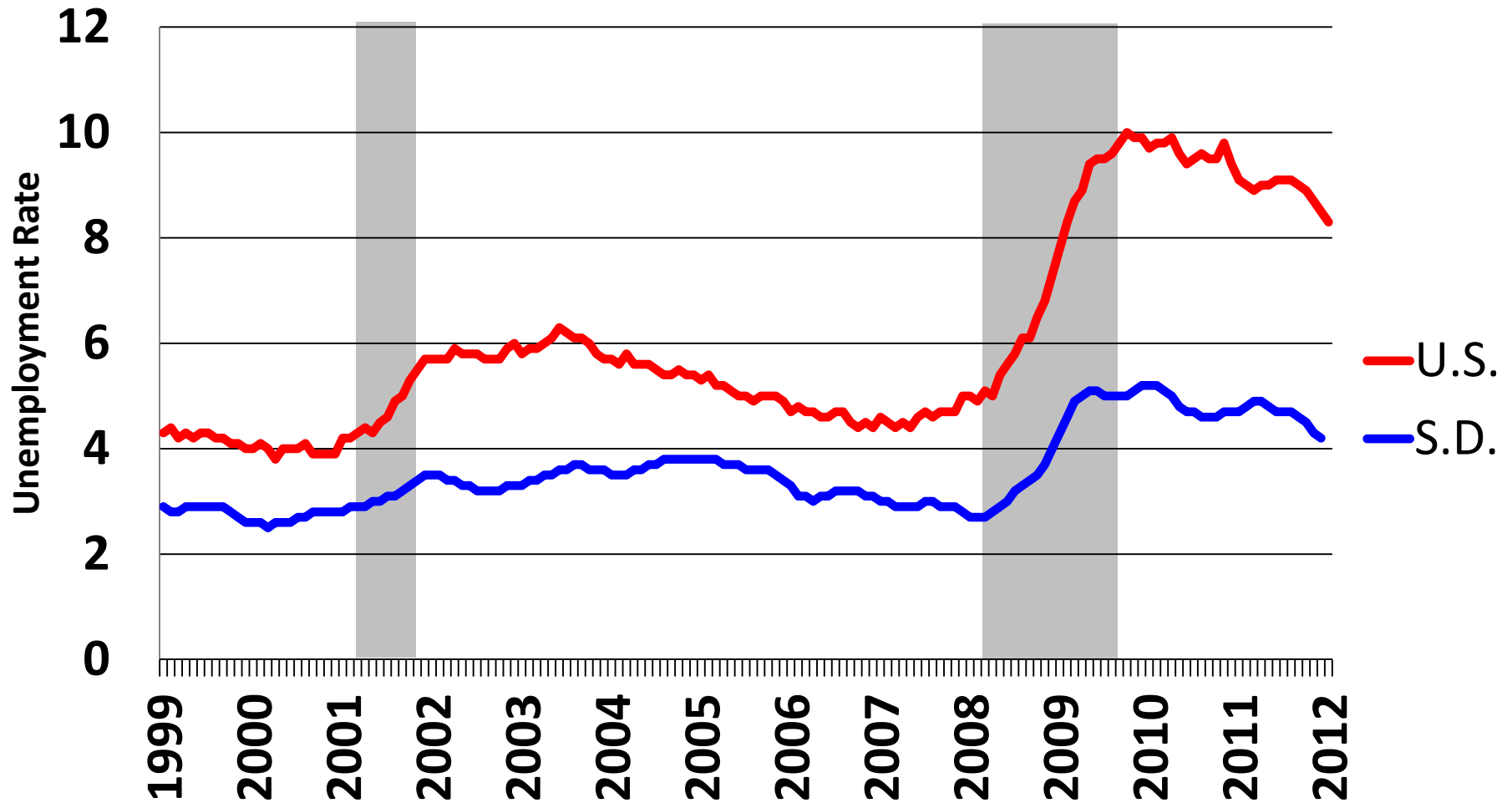
Source: IHS Global Insight

Monthly Nonfarm Employment Levels are improving, but still not fully recovered

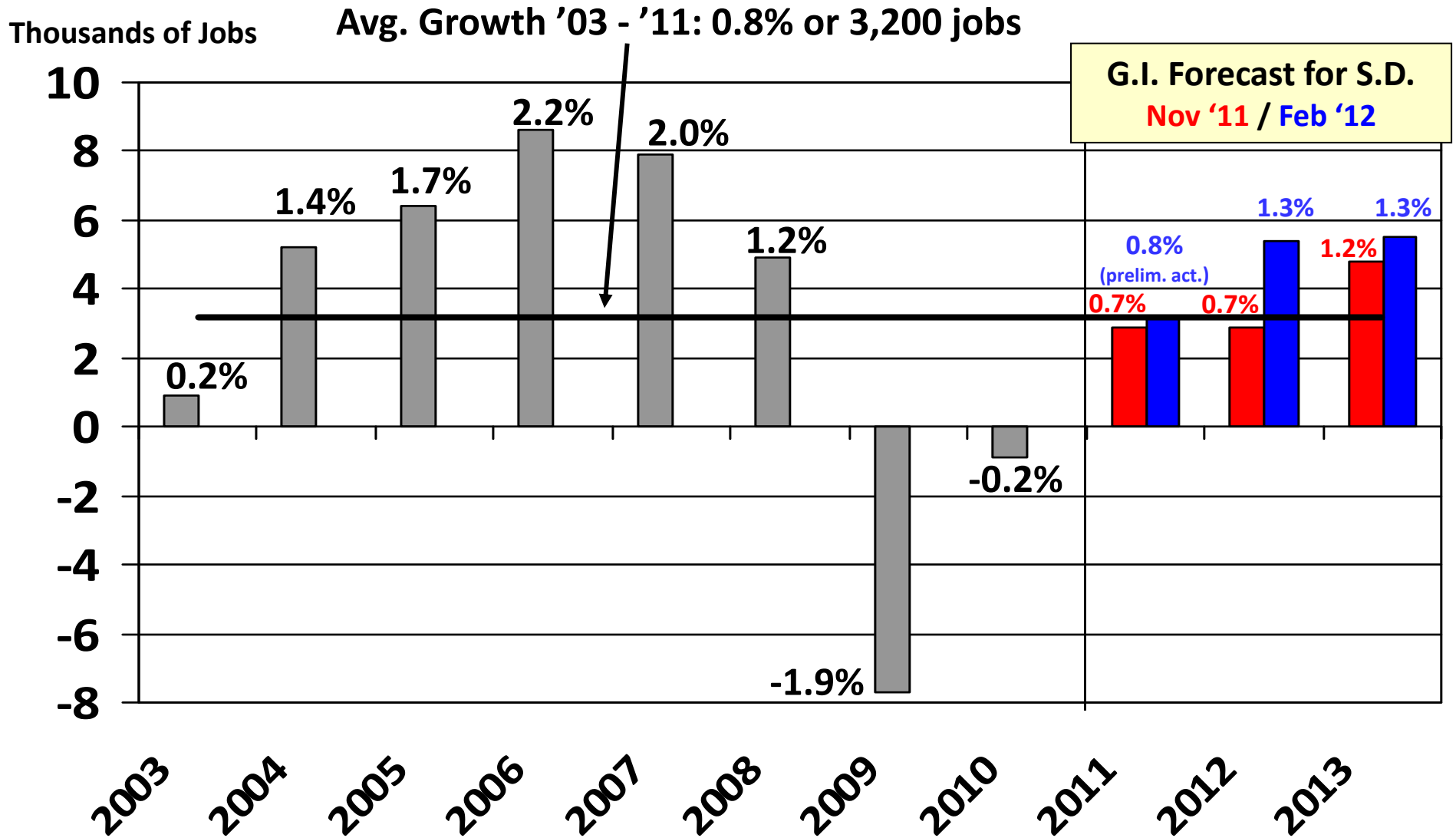


Source: Bureau of Labor Statistics

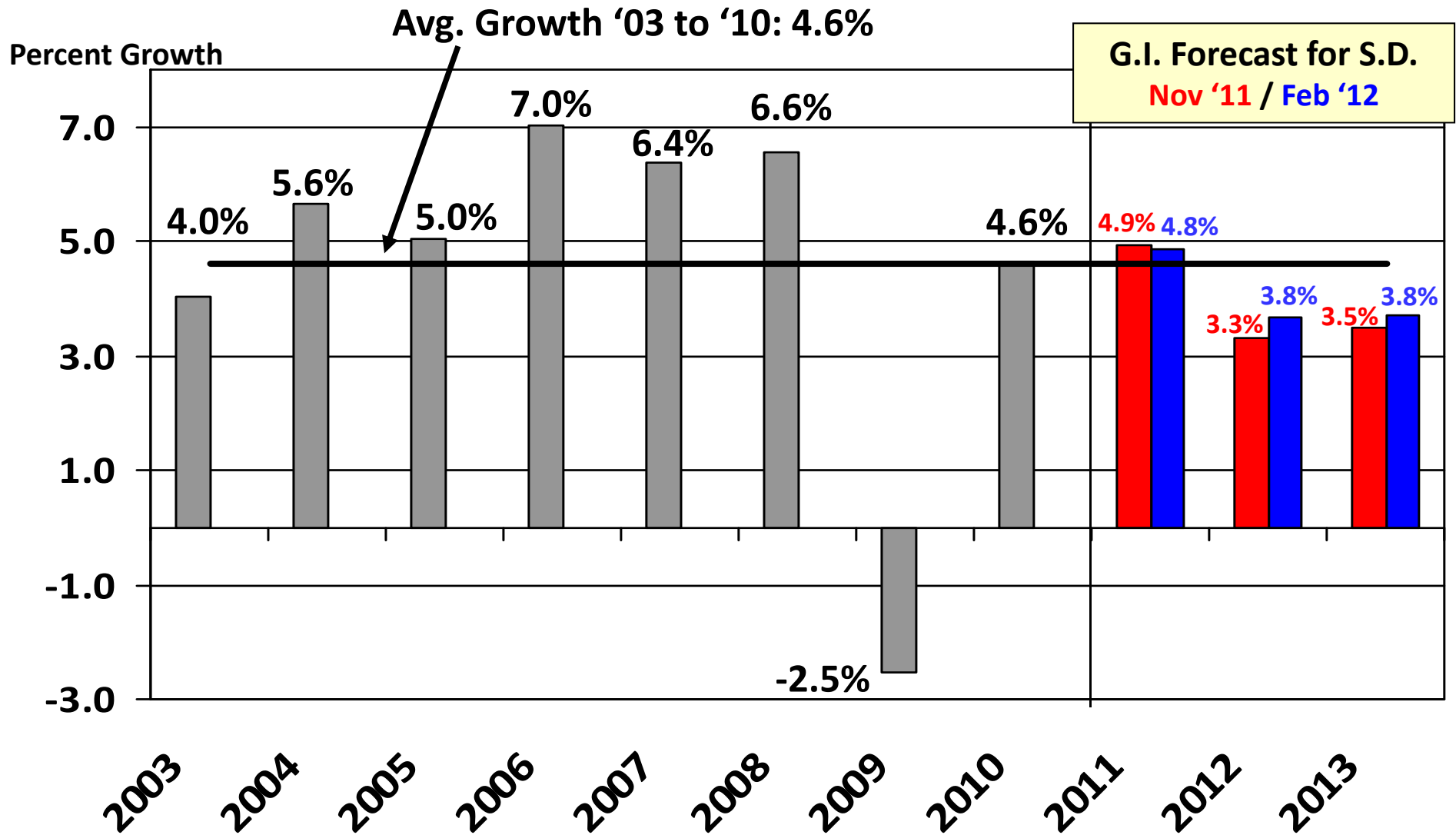
Unemployment Rates remain elevated but are slowly coming down



S.D. Nonfarm Employment is expected to continue to grow



S.D. Nonfarm Income is forecasted for below average growth in 2012 and 2013



Summary/Conclusions (U.S.)

- Below average U.S. economic growth is expected to continue as consumption growth remains slow.
 - Consumers are still deleveraging, which takes time.
 - An improving labor market helps, but confidence remains low.
 - Reductions in government spending and uncertainties surrounding the national debt and budget continues to weigh on growth.
- Recession risks (25%) stem mostly from the European sovereign debt crisis and its impact on financial markets.
 - Other risks include external shocks such as a sharp increase in oil/gasoline prices and natural disasters.

Summary/Conclusions (S.D.)

- Despite uncertainties at the global and national level, S.D. economic growth is transitioning the state from a recovering economy to an expanding economy.
 - S.D. will reach previous peak employment in 2012.
 - However, below average growth in income is expected over the forecast period.
- Strength in the agriculture economy continues to be a positive aspect for the state's overall economy.
 - Relatively high prices should continue due to increased worldwide demand for agriculture products.
 - However, a good year is always dependent on weather.
- Recession risks stem mostly from beyond the state's border.