The US and South Dakota Economies
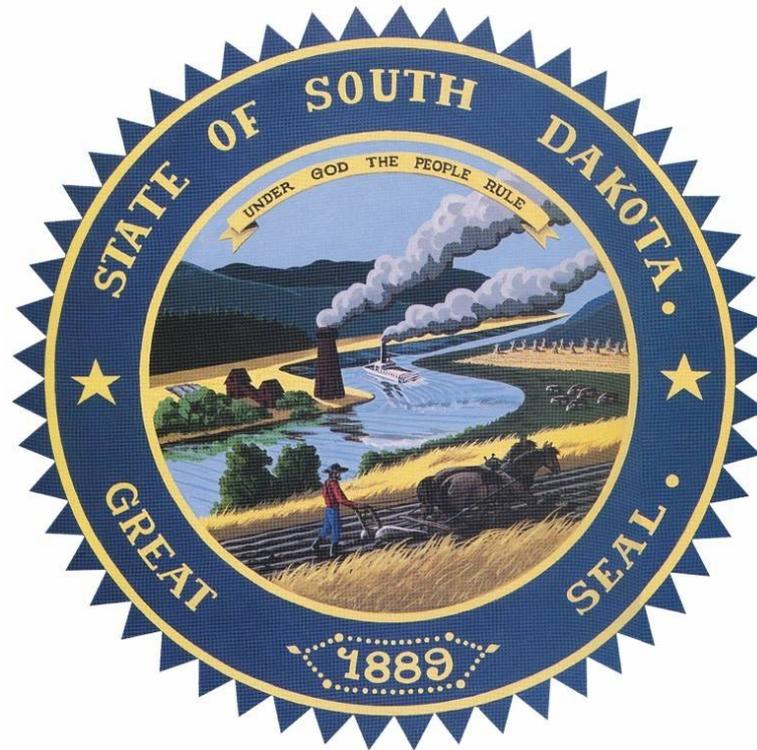

Presented to Joint Appropriations Committee
March 8, 2010

1

Key Variables used in forecasting and tracking the economy

- Nonfarm Employment
- Unemployment Rate
- Nonfarm Income
- Real GDP

# Monthly Y/Y Percent change in Nonfarm Employment SD vs US

Percent

= US Recession

SD — US

3

Source: Bureau of Labor Statistics
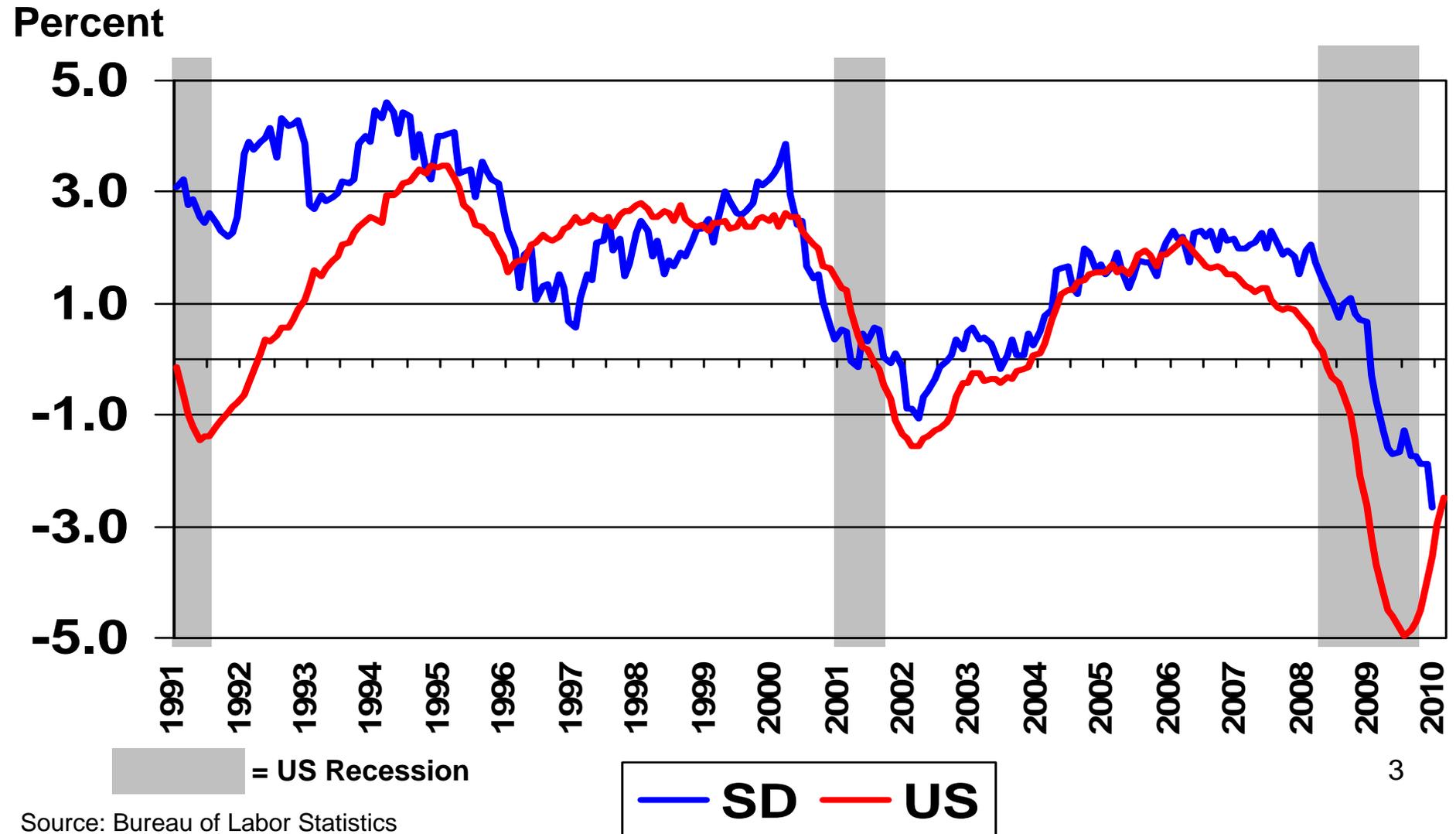
Unemployment Rates have stabilized
SD's rate is still well below the US's

Percent

Legend: SD (blue), US (red)

Source: BLS
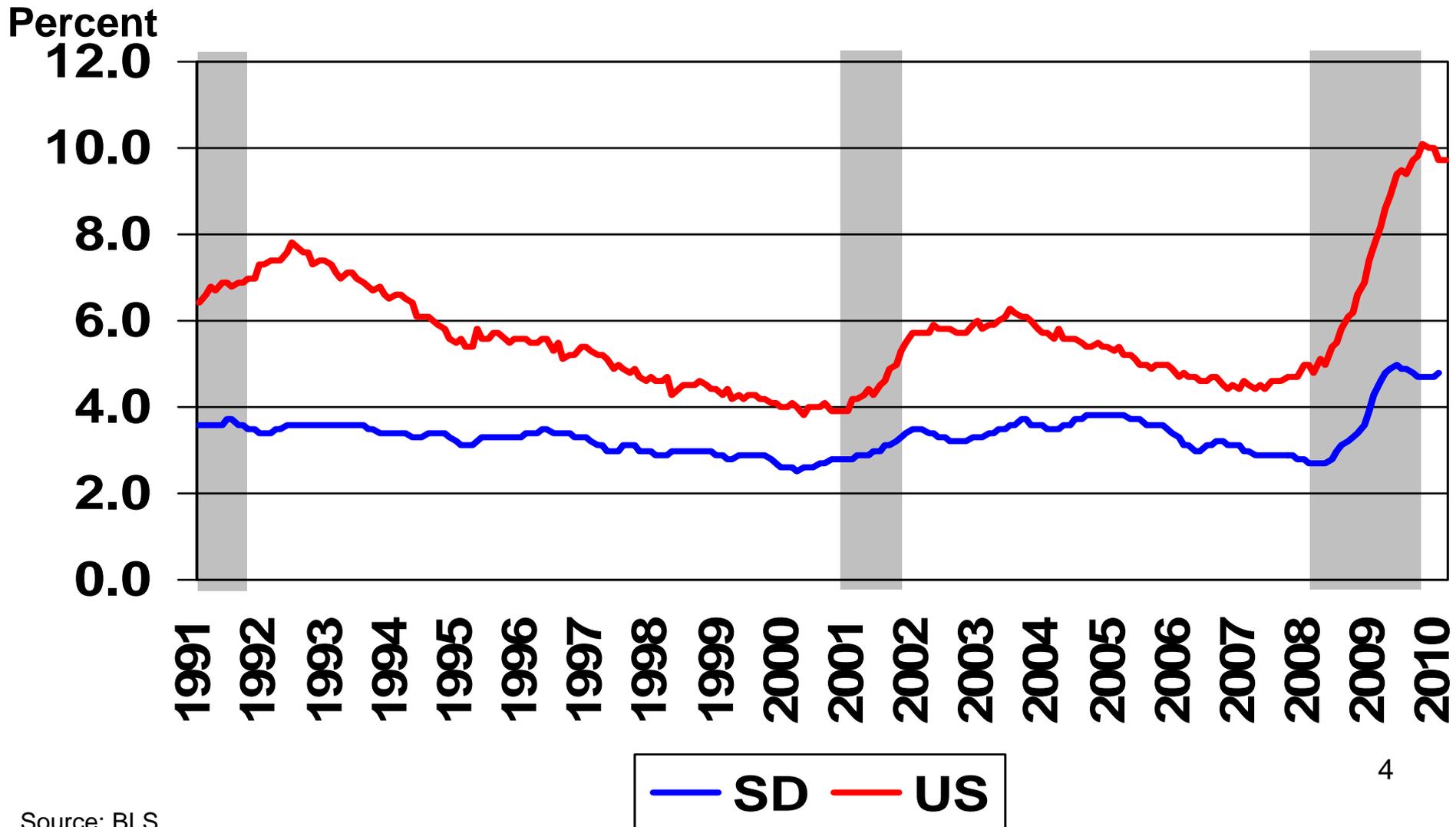
March '09 vs. Nov. '09 vs Feb. '10 Forecast for SD Nonfarm Employment

Thousands of Jobs – Seasonally Adjusted

Source: IHS Global Insight & SD Econometric Model

March '09 vs. Nov. '09 vs Feb. '10
Forecast for SD Nonfarm Income

Billions of Dollars Seasonally Adj. annual rate
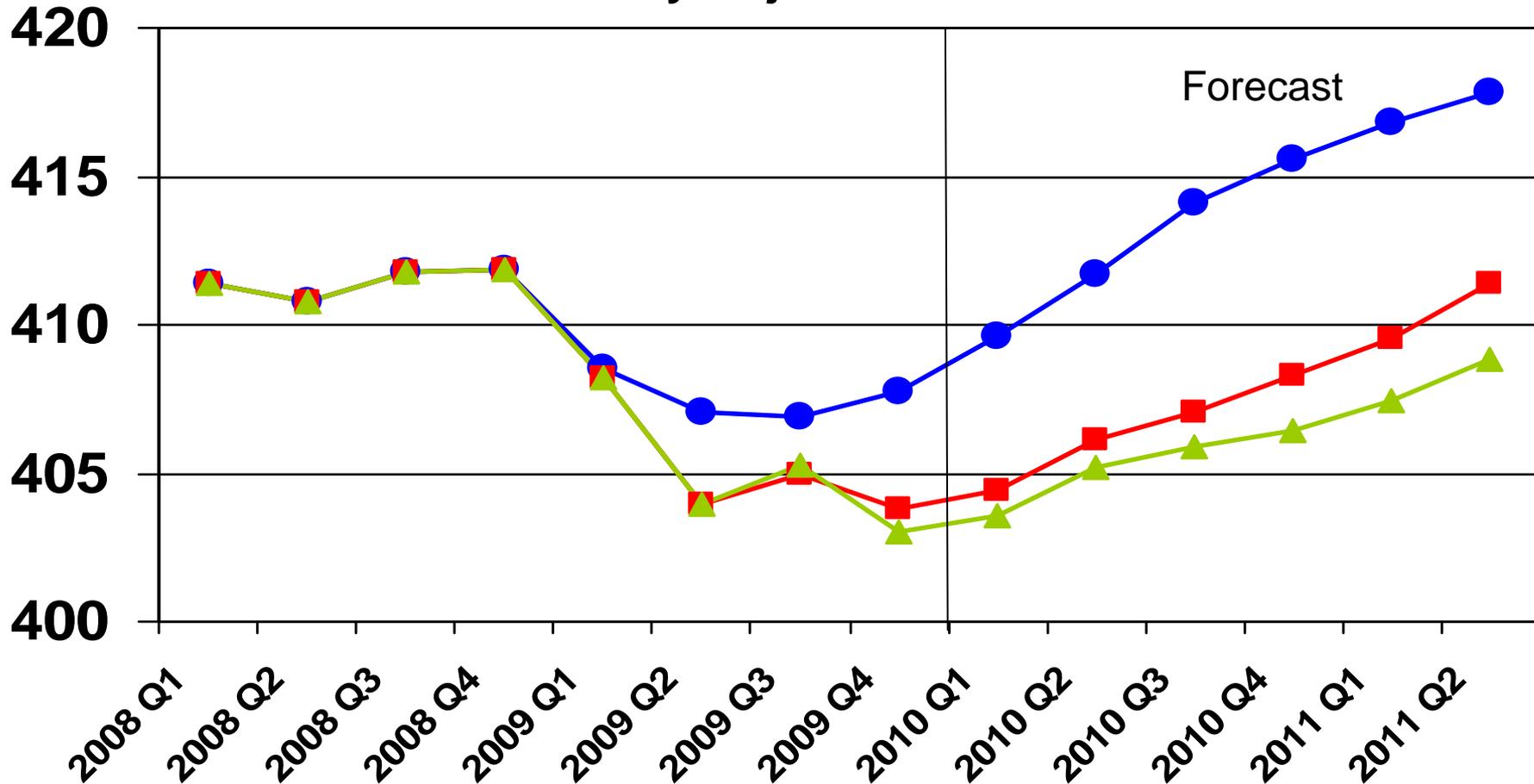
Forecast

Legend: **March Opt.** — **Nov. Baseline** — **Feb. Baseline**

6

Source: IHS Global Insight & SD Econometric Model
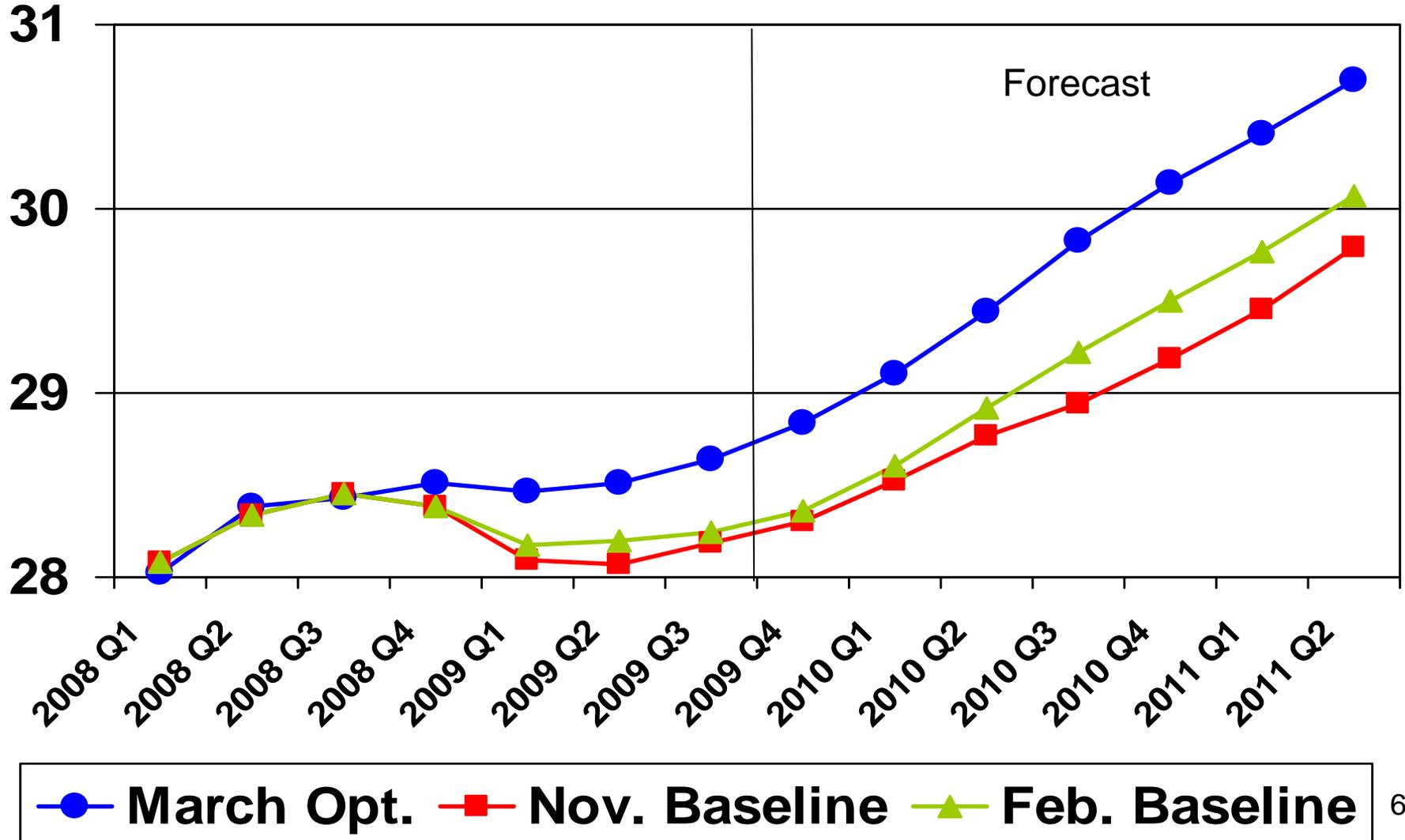
SD Nonfarm Income Growth forecast to be below average levels

Avg. Growth 2000-2008 = 5.4%

Percent

Forecast

- 2001: 7.4%
- 2002: 4.5%
- 2003: 4.0%
- 2004: 5.5%
- 2005: 5.0%
- 2006: 7.0%
- 2007: 5.5%
- 2008: 3.9%
- 2009: -0.2%
- 2010: 2.9%
- 2011: 4.1%
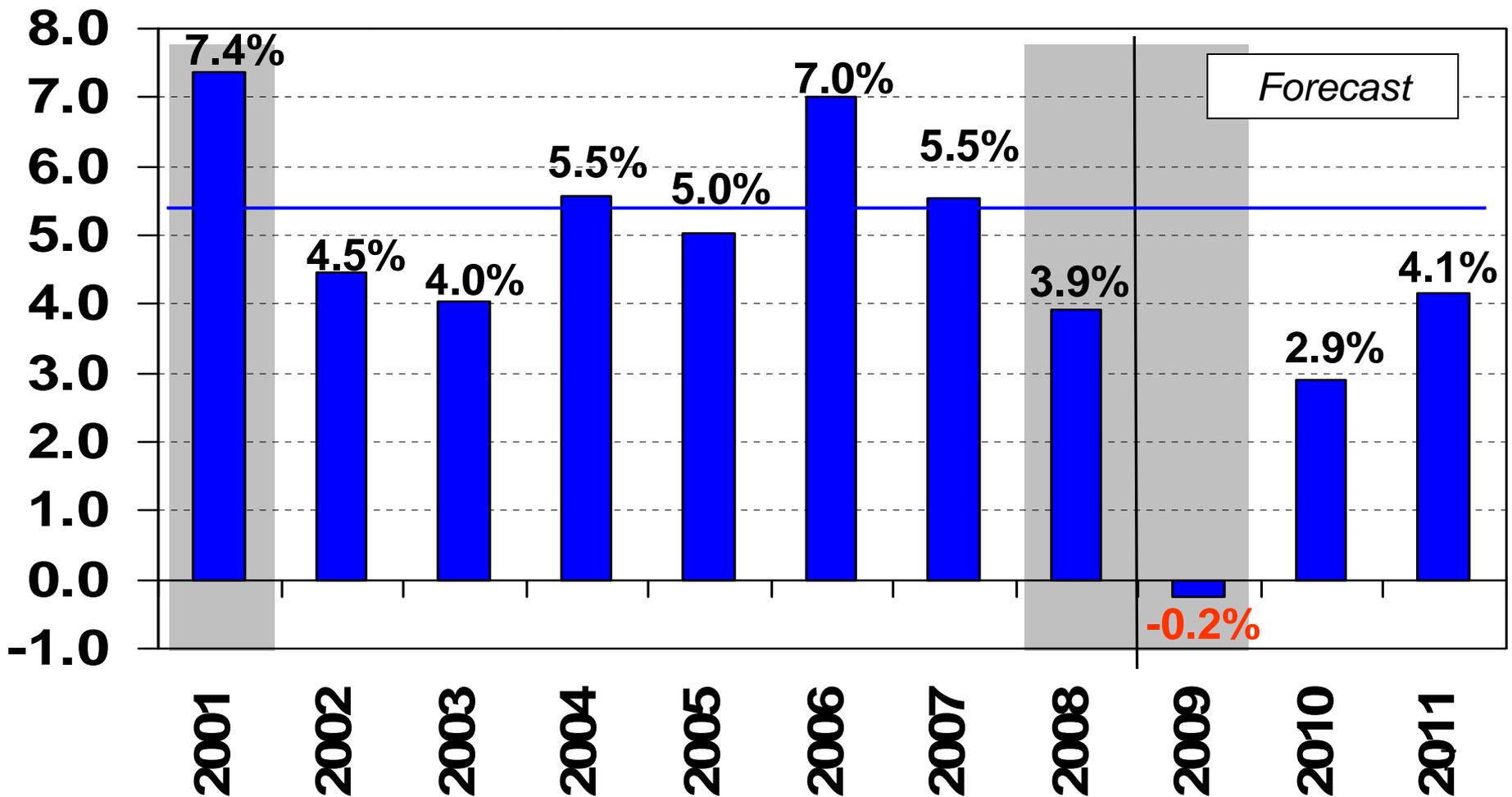
Source: IHS Global Insight & SD Econometric Model

Global Insight's Forecast for US GDP Growth indicates uncertainty in '10 and '11

Percent

Real GDP Growth

Feb. Forecast

Chart y-axis: 5.0, 4.0, 3.0, 2.0, 1.0, 0.0, -1.0, -2.0, -3.0, -4.0

Chart x-axis: 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

Legend: ■ **Baseline** ■ **Optimistic** ■ **Pessimistic**

8

Source: IHS Global Insight
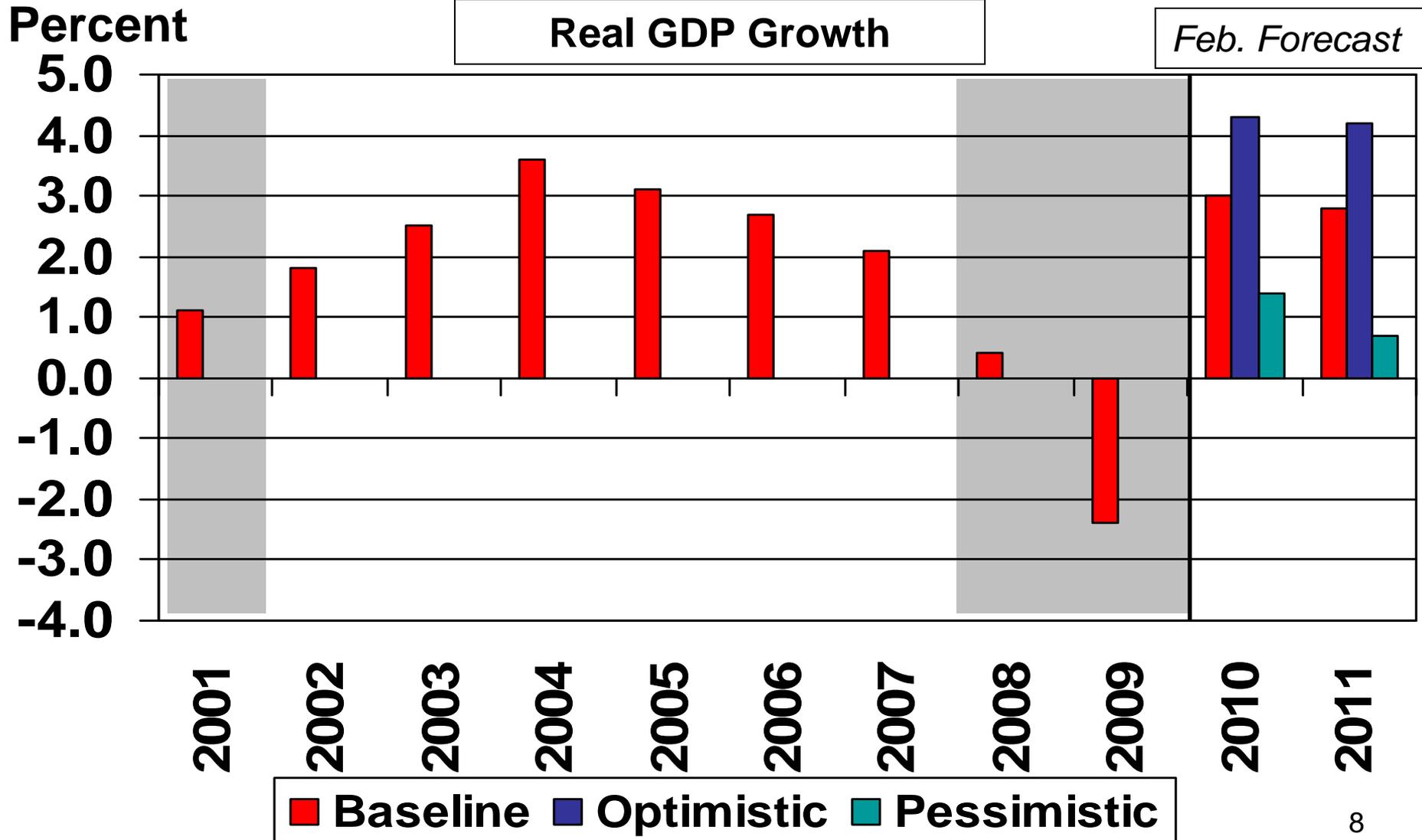
The Recovery??

- The worst should be behind us, but economic recovery is expected to be slow

  – Consumer spending will be weak as debt burdens are high, wealth has been depleted, credit remains tight, and job creation will be slow.

  – Uncertainty remains on how the economy will perform when the economic stimulus funds begin to fade in late 2010 and early 2011.

  – According to IHS Global Insight's February forecast, the probability of a "V" shaped recovery is 20% and the probability of a "double-dip" recession is 15%.