South Dakota and US Economic Overview

Presented to Joint Appropriations Committee
March 3, 2011
Key Variables used in tracking and forecasting the economy

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

Recovering…but has been flat in recent months

Peak to Trough: SD -13,600 jobs
Aug ‘08 to Feb ‘10 (-3.3%)

Peak to Trough: US -8.7 M Jobs
Jan ’08 to Feb ‘10 (-6.3%)

Source: Bureau of Labor Statistics
Unemployment Rates still elevated
SD’s rate continues to be below the US’s

Source: Bureau of Labor Statistics
Steady Increase anticipated for SD Nonfarm Employment

Thousands of Jobs – Seasonally Adjusted

Source: IHS Global Insight & SD Econometric Model
SD Nonfarm Income forecast has improved

Billions of Dollars Seasonally Adj. annual rate

Source: IHS Global Insight & SD Econometric Model
SD Nonfarm Income Growth
higher for 2011, but softer in 2012

Avg. Growth 2001-2009 = 4.6%

Source: IHS Global Insight & SD Econometric Model
IHS Global Insight’s Forecast for US GDP Growth for 2011 and 2012

Real GDP Growth

Source: IHS Global Insight
Summary

• The economic recovery is expected to continue as positive and negative risks are roughly balanced.

• Consumer spending was good for the holiday season, but growth will remain subdued as debt burdens remain high, credit remains tight, and job creation continues to be slow.

• The economy is still vulnerable to external shocks such as increases in oil prices.

• Inflation is expected to remain relatively low over the forecast period as there continues to be excess capacity in the economy.