South Dakota and U.S. Economic Outlook Overview

Presented to Joint Appropriations Committee
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U.S. Economic Outlook is more balanced, but recession risks are still elevated

Annual Percent Change in U.S. real GDP

Source: IHS Global Insight
Monthly Nonfarm Employment Levels are improving, but still not fully recovered.

- As of Dec. 2011, S.D. is 800 jobs or 0.2% below previous peak in 2008.
- As of Jan. 2012, U.S. is 5.6 million jobs or 4.1% below previous peak.

Source: Bureau of Labor Statistics
Unemployment Rates remain elevated but are slowly coming down.

Source: Bureau of Labor Statistics
S.D. Nonfarm Employment is expected to continue to grow

Avg. Growth ’03 - ’11: 0.8% or 3,200 jobs

Source: IHS Global Insight & SD Econometric Model
S.D. Nonfarm Income is forecasted for below average growth in 2012 and 2013

Avg. Growth ‘03 to ‘10: 4.6%

Percent Growth


Source: IHS Global Insight & SD Econometric Model
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.