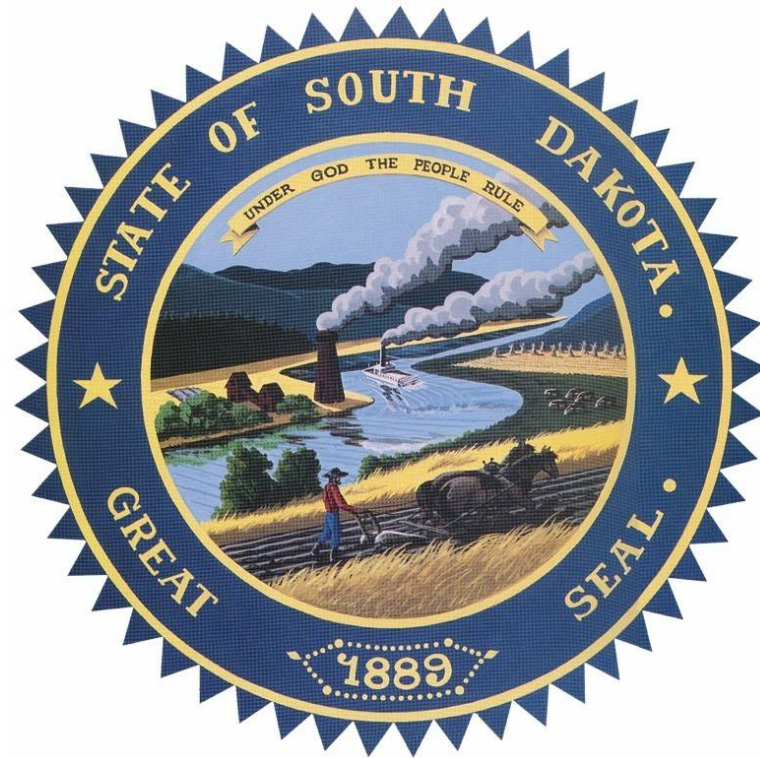
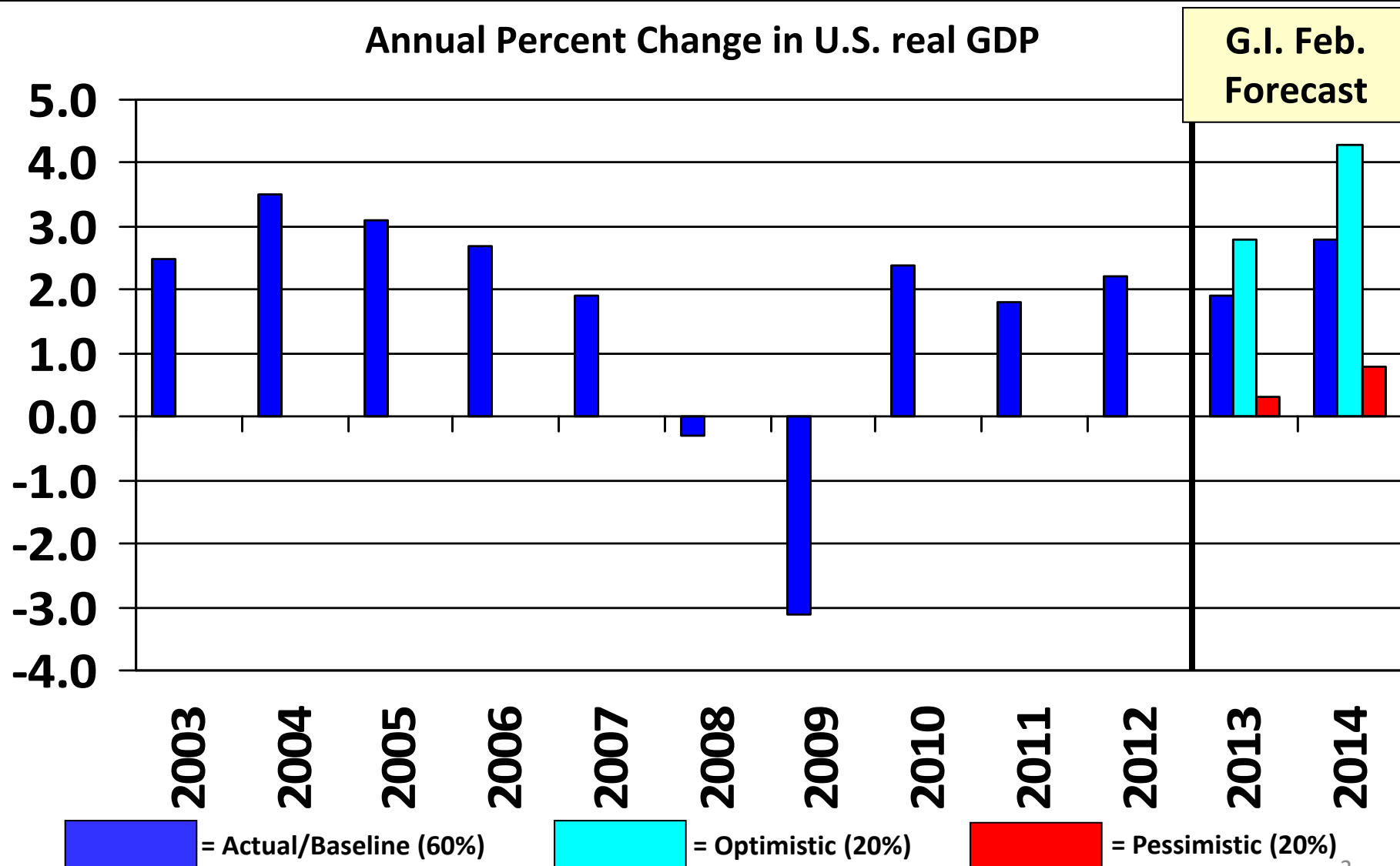


South Dakota and U.S. Economic Outlook Overview

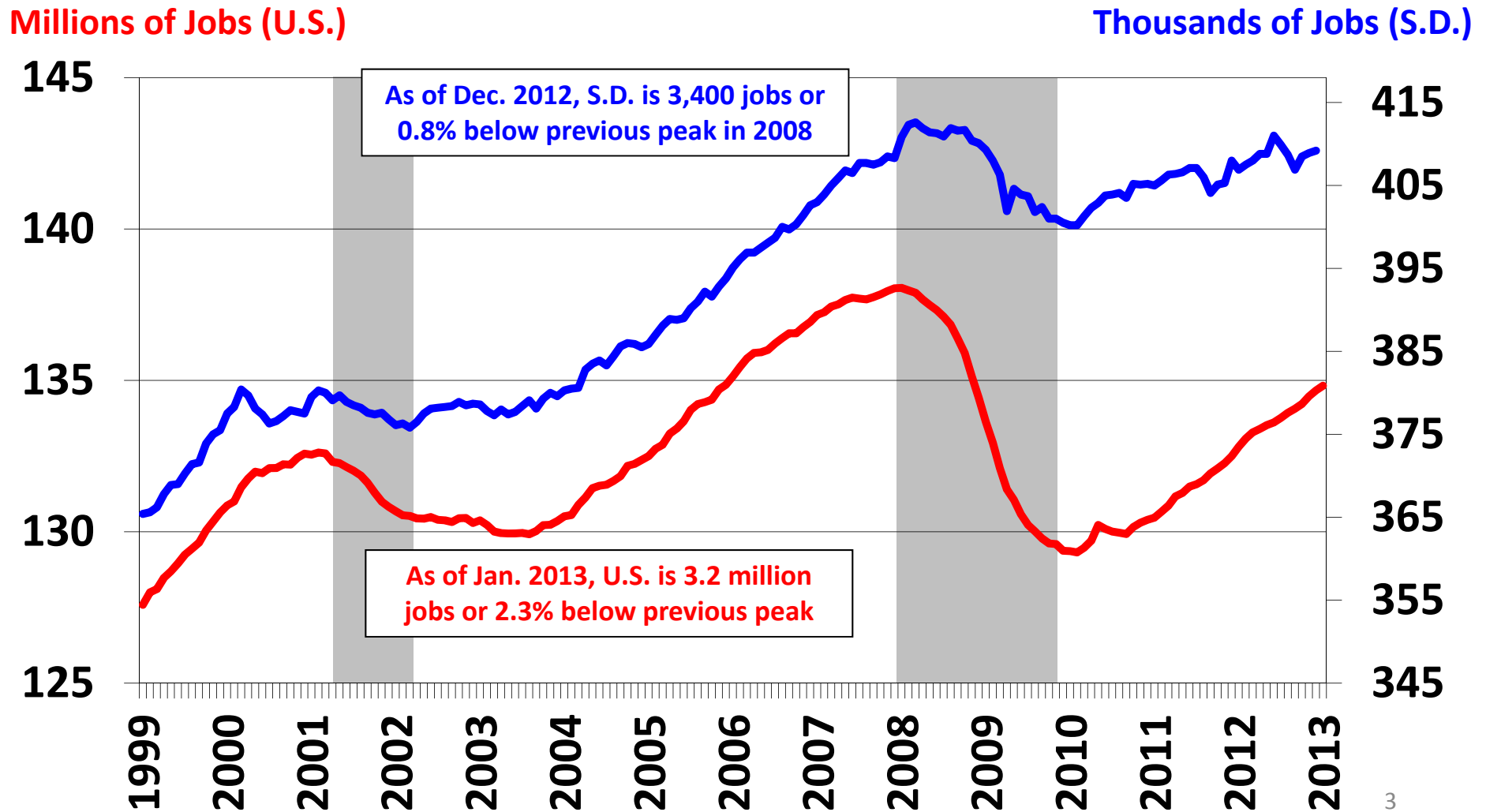


Presented to Joint Appropriations Committee
February 28, 2013

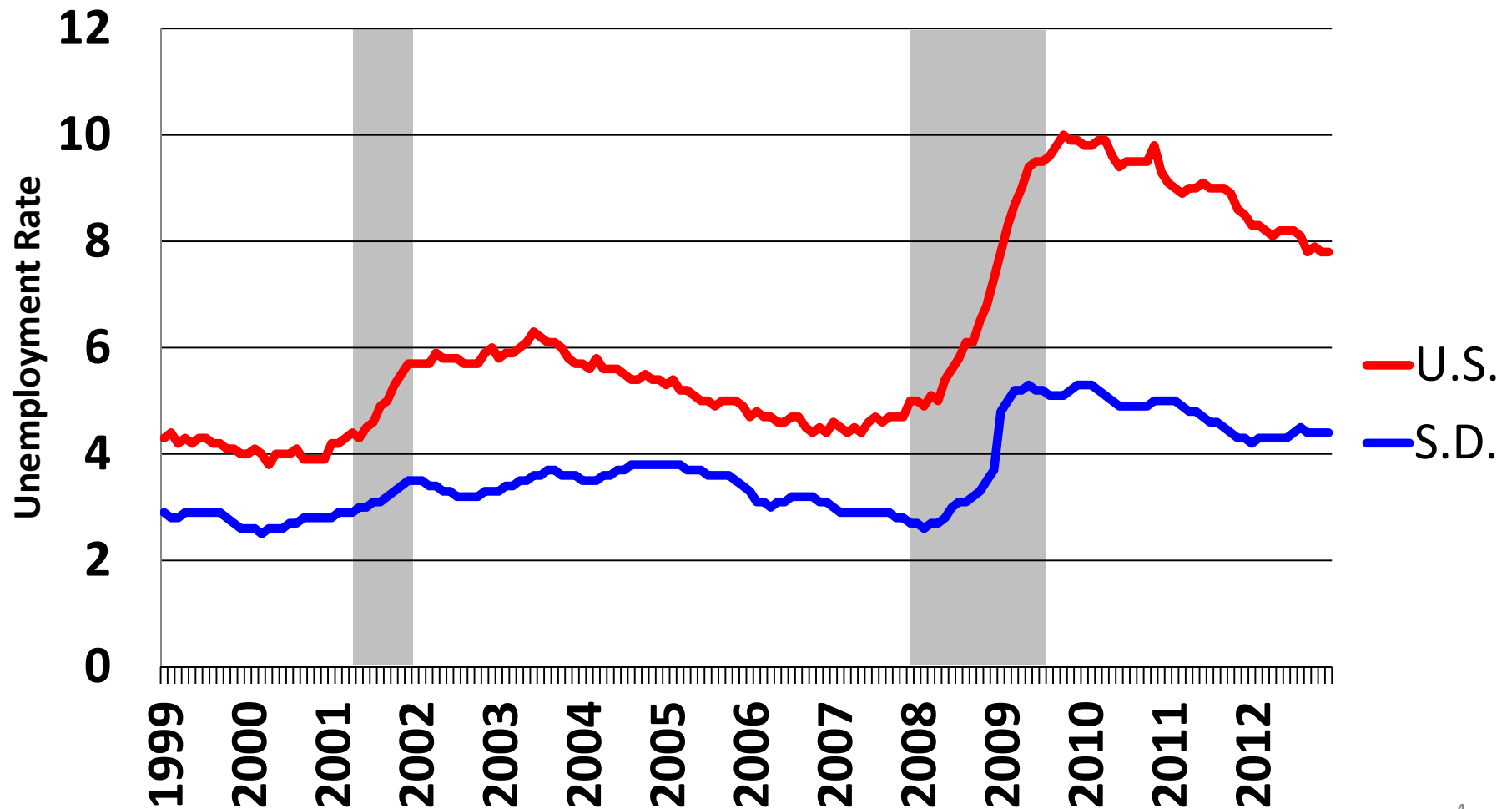
U.S. Economic Outlook: Moderate Growth with Balanced Risks



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

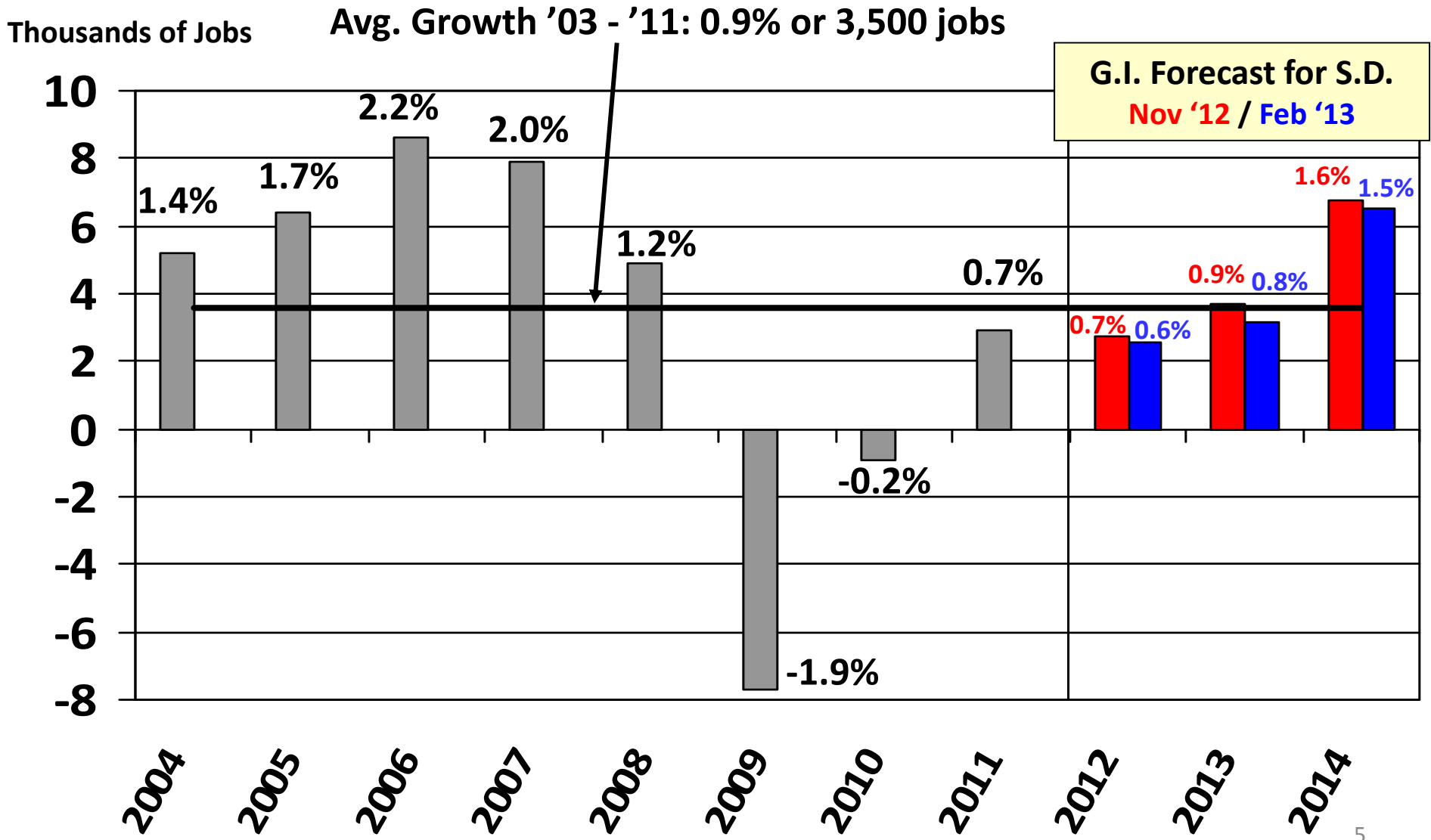


Unemployment Rates Continue to Decline Slowly



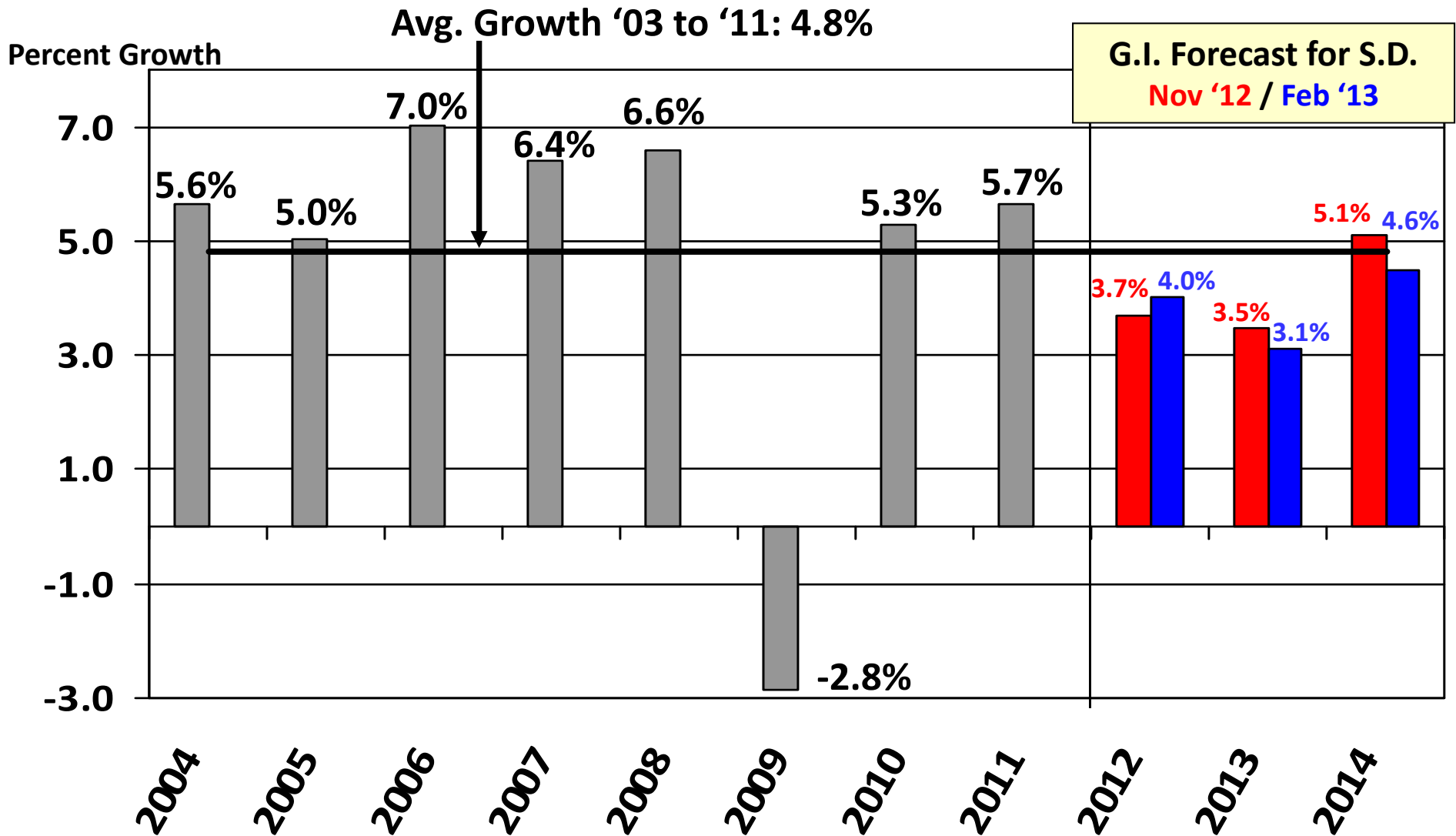
Source: Bureau of Labor Statistics

S.D. Nonfarm Employment Growth: Below Average in 2013, Improving in 2014



Source: IHS Global Insight & SD Econometric Model

S.D. Nonfarm Income: Below Average Growth Anticipated



Summary/Conclusions (U.S.)

- Below average U.S. economic growth is expected to continue as uncertainties remain.
 - Consumers continue to deleverage and face headwinds from the payroll tax increase with tepid job growth.
 - Reductions in government spending along with uncertainties surrounding the national debt and budget continue to weigh on overall economic growth.
- Risk of recession (20%) stems from a fully implemented sequester and a much weaker global outlook.
 - Policy missteps in Washington D.C. combined with a Eurozone meltdown would adversely impact confidence, financial markets, and exports.

Summary/Conclusions (S.D.)

- S.D. economic growth looks to be moderate in 2013 with growth improving in 2014.
 - S.D. should reach previous peak employment in late 2013.
 - Moderate growth in income is expected over the forecast period.
- Assuming normal precipitation, the agriculture economy will be a positive aspect for the state's economy in 2013.
 - Crop insurance limited the impact from the 2012 drought. However, a multi-year drought is a negative risk for 2013.
- Recession risk factors stem mostly from beyond the state's border.