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

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. 2012, S.D. is 3,400 jobs or 0.8% below previous peak in 2008.

As of Jan. 2013, U.S. is 3.2 million jobs or 2.3% below previous peak.

Source: Bureau of Labor Statistics
Unemployment Rates Continue to Decline Slowly

Source: Bureau of Labor Statistics

Avg. Growth ’03 - ’11: 0.9% or 3,500 jobs

Thousands of Jobs

Source: IHS Global Insight & SD Econometric Model
S.D. Nonfarm Income: Below Average Growth Anticipated

Avg. Growth ‘03 to ‘11: 4.8%

Percent Growth


5.6% 5.0% 7.0% 6.4% 6.6% 5.3% 5.7% -2.8%

G.I. Forecast for S.D.
Nov ‘12 / Feb ‘13

3.7% 4.0% 3.5% 3.1% 5.1% 4.6%

Source: IHS Global Insight & SD Econometric Model
• 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.