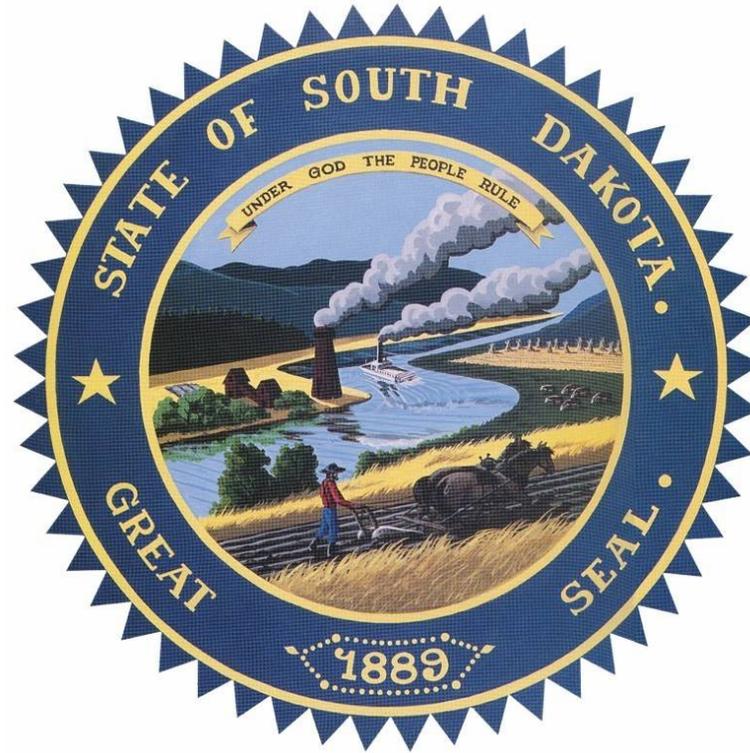


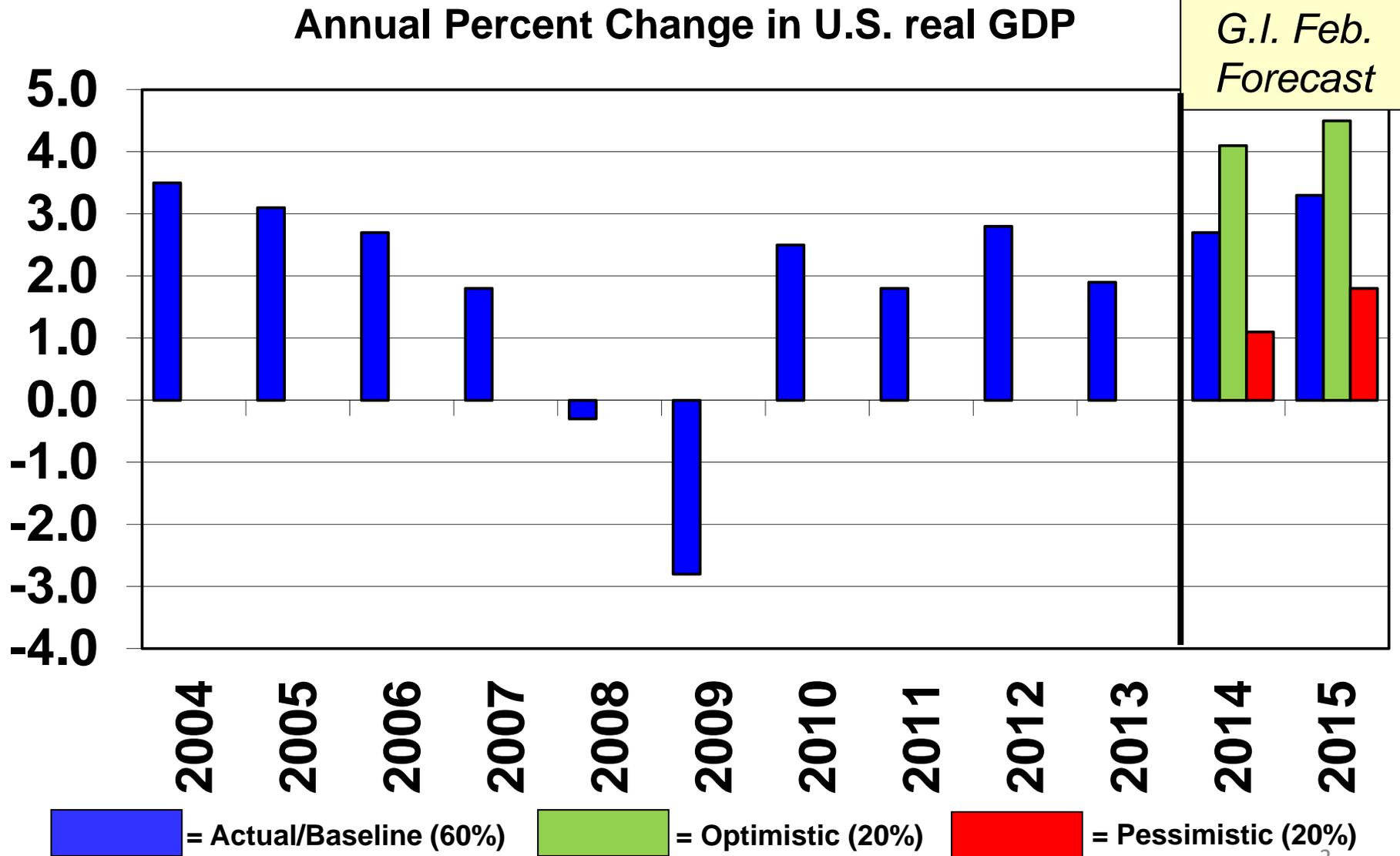
South Dakota and U.S. Economic Outlook



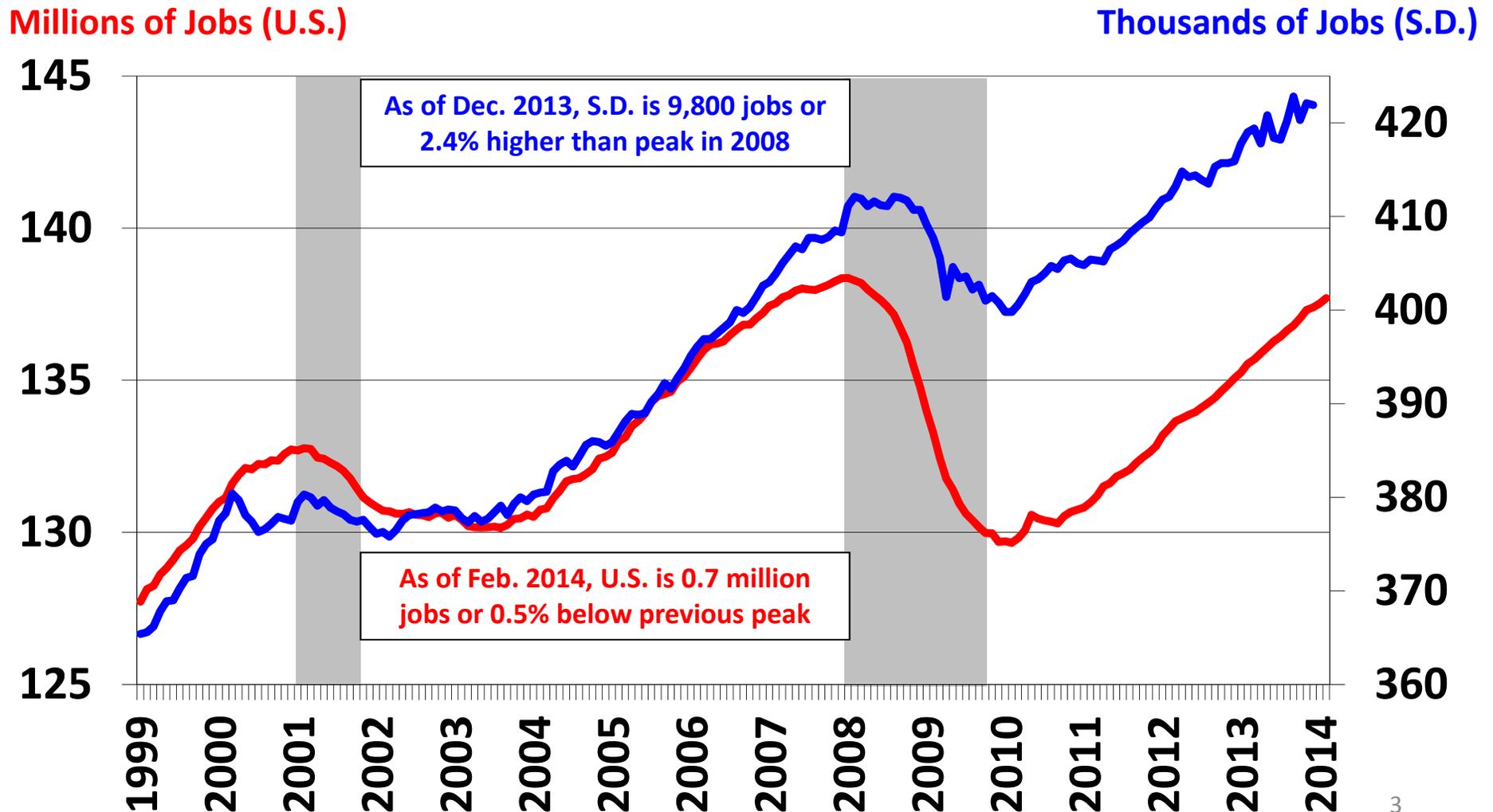
Presented to Joint Appropriations Committee
March 10, 2014

Jim Terwilliger, Bureau of Finance and Management

U.S. Economic Outlook: Moderate Growth in 2014 & 2015

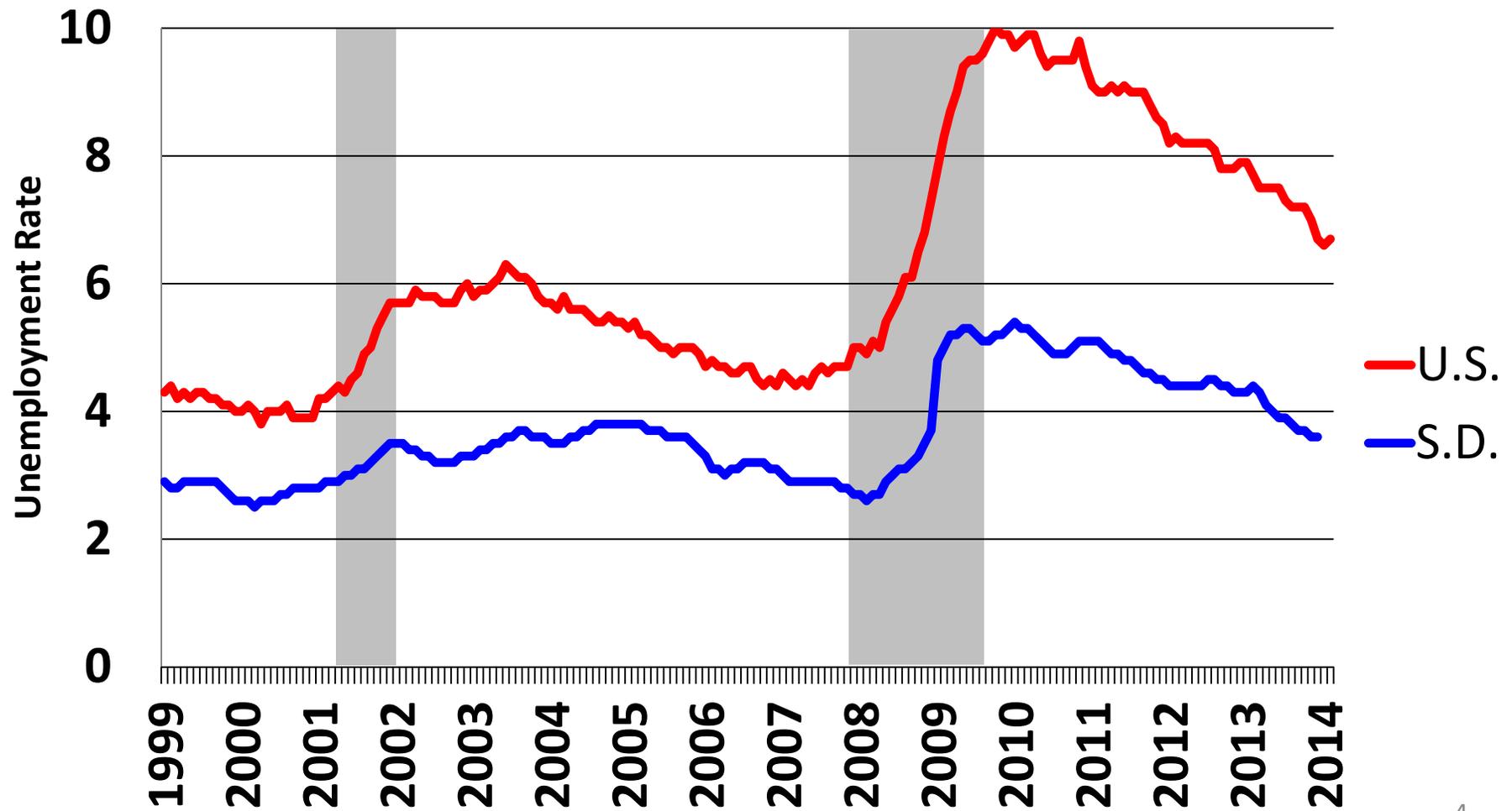


Monthly Nonfarm Employment Levels: S.D. is expanding while U.S. still recovering



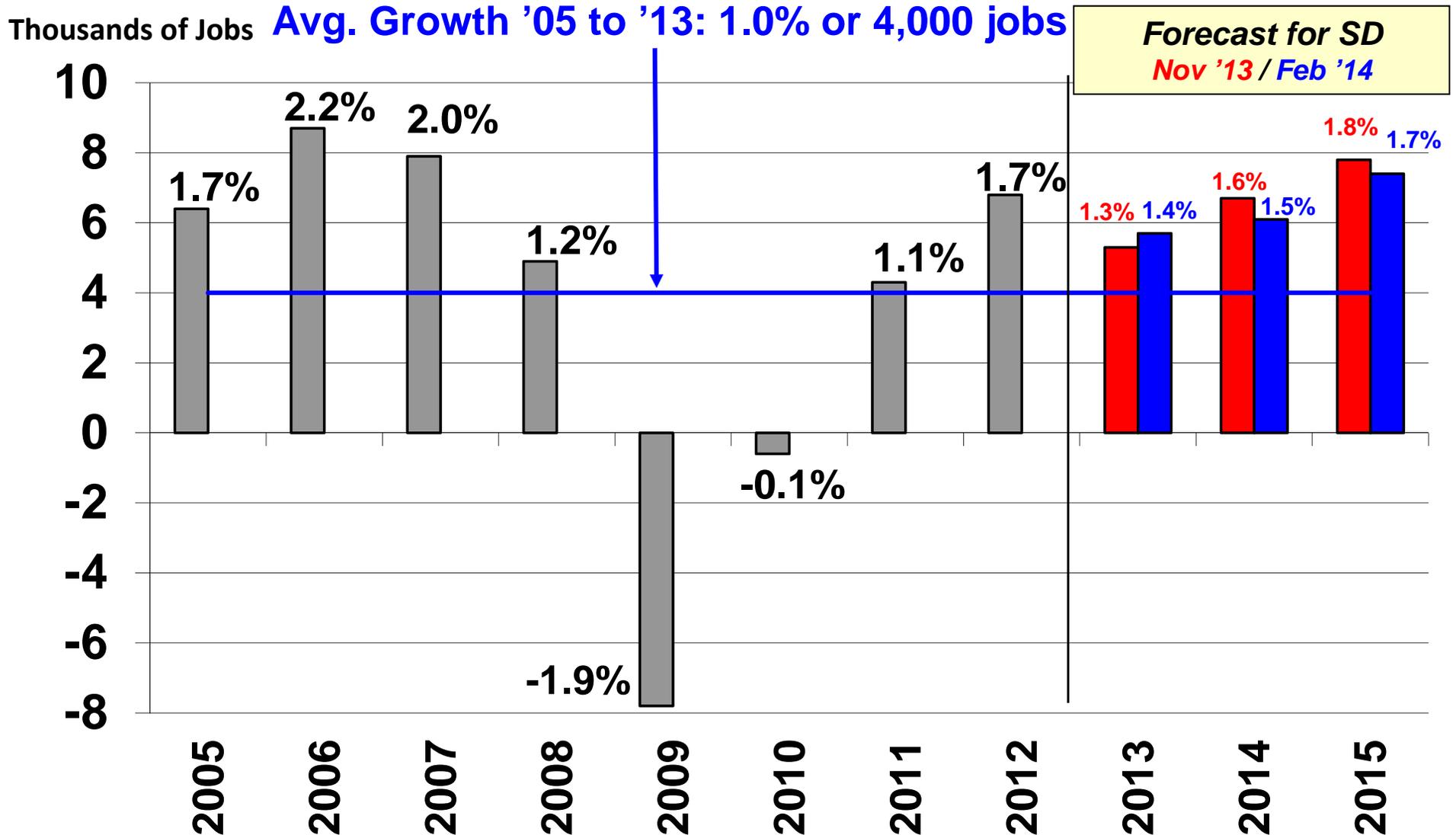
Source: Bureau of Labor Statistics

Unemployment Rates Trending Lower

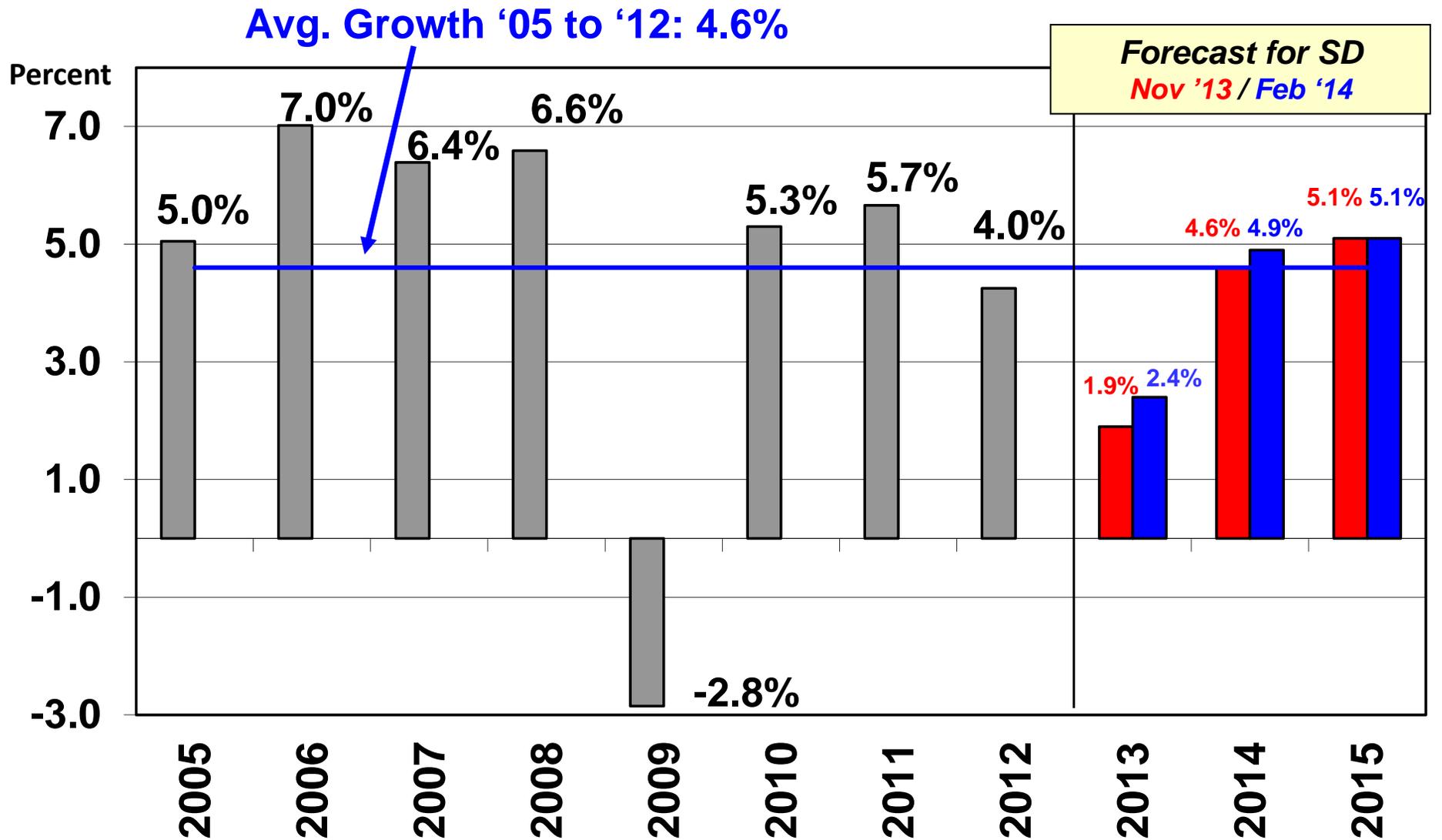


Source: Bureau of Labor Statistics

Changes in Forecasts for S.D. Nonfarm Employment Growth (Baseline)

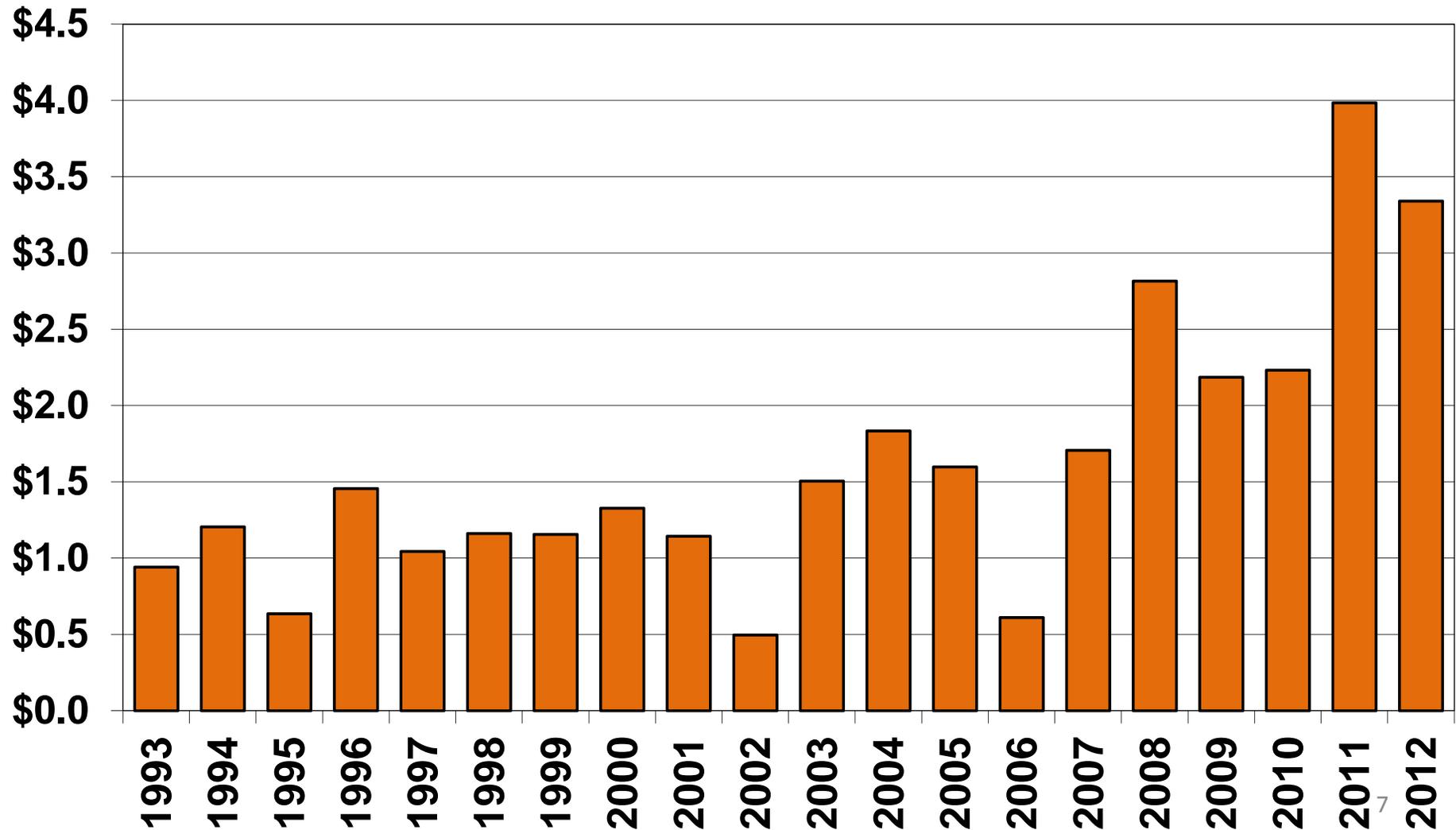


Changes in Forecasts for S.D. Nonfarm Income Growth (Baseline)



S.D. Farm Income has contributed to growth, expected to be lower in 2014

Billions



Summary/Conclusions (U.S.)

- Moderate economic growth is expected to continue in 2014 and 2015.
 - Growth is expected to improve over the course of 2014 with improvement in housing, employment, and consumer spending.
 - Recently, some of the uncertainty surrounding the federal budget and debt ceiling has been reduced, supporting the outlook.
- Downside risks to the economy include fiscal or monetary mistakes at the federal level, slower global economic growth, and possible external shocks.
 - Federal Reserve's current balance sheet is now over \$4.0 trillion in assets compared to \$0.8 trillion before the recession. The “unwinding” of this stimulus will be a closely watched issue over the next several years.

Summary/Conclusions (S.D.)

- South Dakota economic growth is expected to be moderate in 2014 with growth improving in 2015.
 - Both nonfarm employment and income growth is expected over the forecast period leading to continued growth in consumer spending.
- Current lower crop prices compared to the past few years are likely to put downward pressure on farm income in 2014.
- Recession risk factors at this time are relatively low, but as we learned from 2008-2009, we know the outlook can change rather quickly.