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INDICATORS

Employment (SA)



vs. prior qtr.



vs. prior year

New Entity Filings (Qrt)



vs. prior qtr.



vs. prior year

Personal Income



vs. prior qtr.



vs. prior year

Unemployment



vs. prior qtr.



vs. prior year

EMPLOYMENT FORECASTS



Q1 2018 vs. Q4 2017



Q1 2018 vs. Q1 2017



Q2 2018 vs. Q1 2018

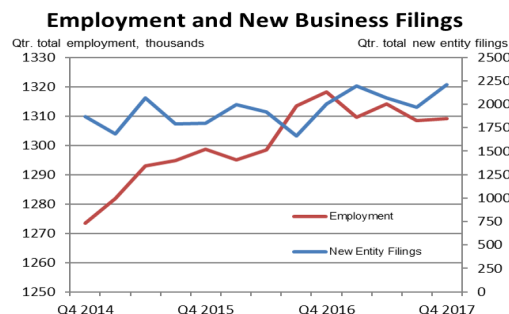
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State Capitol
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Pierre, SD 57501-5070

South Dakota's growth has stalled...

South Dakota's economy ended 2017 as it began, marking the fourth quarter of continuing declines in unemployment. Nonetheless, there were still a couple of bright spots. The quarter marked some gains in retail and taxable sales. The sales statistics are self-reported, however, and do not measure the impact of discounting; therefore, they are sometimes subject to revisions. Another bright spot has been the business filings, which collectively reached their highest number of filings since the Fourth Quarter of 2013.

Nationally, the story of the quarter was tax reform and the massive move of the stock market. As reported in the third quarter 2017 report and prior to President Trump's tax reforms were passed into law, corporate profits were poised to hit historic marks on the promise of lowered tax costs, low interest rates, and relatively low labor inflation. Wall Street almost immediately responded to the passage of the Tax Cut and Jobs Act of 2017 by pushing the major indexes to new and continuing highs through the end of the year. Our expectation is that there will be continued upward bias in investing speculation and the real numbers to be revealed during the first quarter of 2018 corporate reporting windows should also be supportive of strong profits. Many corporations are already outlining their plans of reinvesting their tax savings domestically or sharing their profits with employees directly.

Although not widely discussed in mainstream media, one of the more significant events of the fourth quarter was the resignation of Federal Reserve Chairman Janet Yellen. During her tenure, Yellen became known for her transparent approach and data driven decision making. A stable and transparent approach to interest rate announcements has proven to curtail major surprises and resultant volatility. According to many market experts like Warren Buffet, the times to be most fearful in markets are when everyone else is euphoric. In the current climate, where all arrows are pointing up, if Yellen and the prior Federal Open Market Committee (FOMC) were intact, our expectation would be that there would be three 25 basis point increases during 2018. However, without Yellen and four other appointments to the FOMC pending, it is difficult to predict how many moves will occur during 2018.



Note: Red line displays actual seasonally adjusted employment numbers. Source: Seasonally adjusted South Dakota total nonfarm employees from the Bureau of Labor Statistics and the Labor Market Information Center, SD Department of Labor.

Secretary's Minute

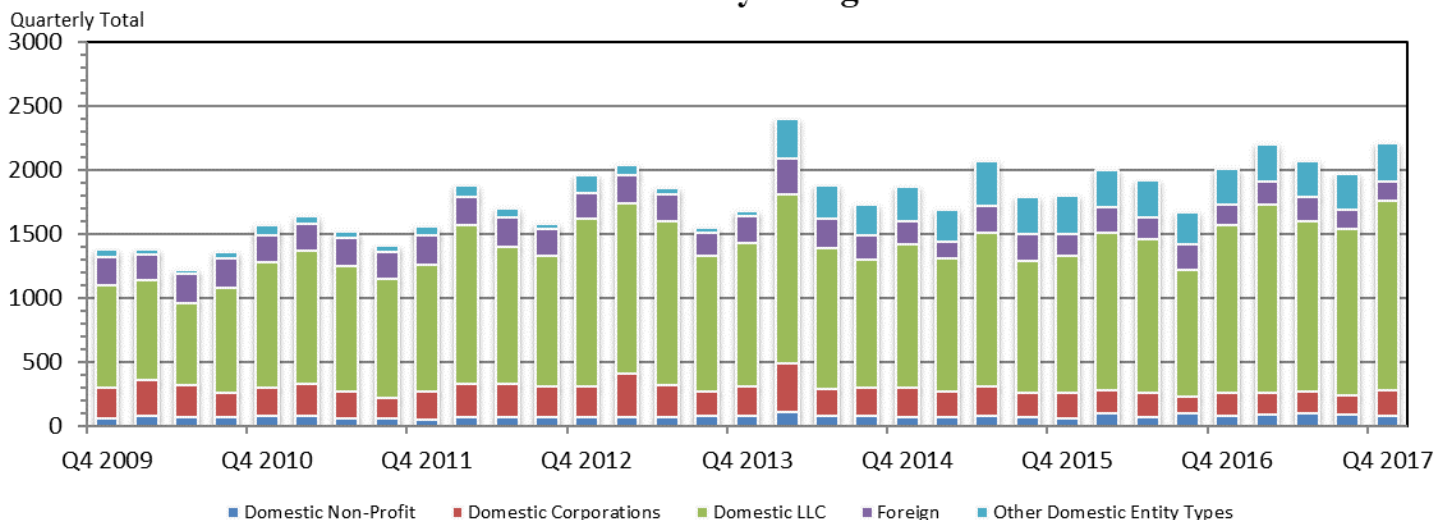


South Dakota ended the fourth quarter of 2017 with new business filings reaching the highest numbers since 2013. These are tremendous numbers that show the resilience of the entrepreneurs in our great state. For more information on new entities, please visit our website at: www.sdsos.gov.

	2011	2012	2013	2014	2015	2016	2017
Domestic LLC	3,365	3,390	4,645	4,541	4,428	4,732	5,584
Domestic Nonprofit	259	293	388	349	289	354	347
Domestic Corp	741	829	1,103	949	835	684	693
Other Domestic Entities	288	496	466	366	384	338	307
Foreign Entities	1,469	1,499	1,676	1,678	1,554	1,488	1,520
Total New Entity Filings	6,122	6,507	8,278	7,883	7,490	7,596	8,451

Shantel Krebs

New Entity Filings



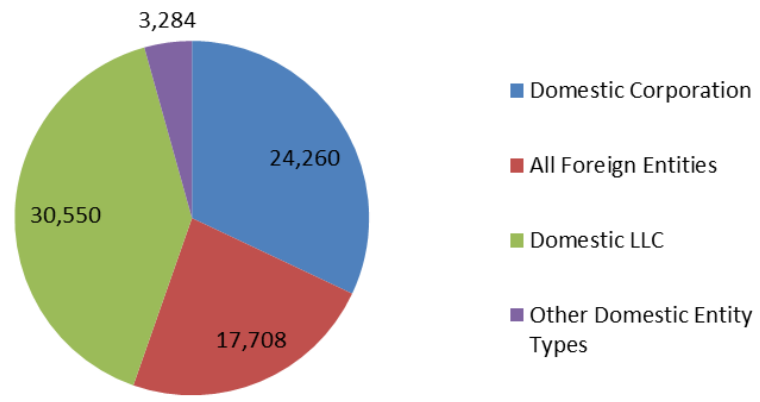
	Current Period	3 months Prior	Prior Year	Percent Change over Prior Year	5 Year CAGR*
New Entity Filings					
Domestic Limited Liability Company	1,480	1,295	1,306	13.3%	2.6%
Domestic Nonprofit Corporation	81	85	79	2.5%	3.0%
Domestic Business Corporation	197	155	179	10.1%	-4.0%
Foreign Entity Types	155	158	164	-5.5%	-5.4%
Other Domestic Entity Types	299	278	278	7.6%	16.6%
Total New Entity Filings	2,212	1,971	2,006	10.3%	2.5%
Total New Entity Filings-12 mo. trailing	8,451	8,245	7,592	11.3%	3.5%
Other Business Filings					
Trademarks	81	102	95	-14.7%	3.3%
Trademarks-12 mo. trailing	377	391	389	-3.1%	-2.5%
Fictitious Business Names (DBA)	1,259	854	1,106	13.8%	13.4%
Fictitious Business Names (DBA)-12 mo. trailing	4,342	4,186	4,133	5.1%	6.0%

* Compound Annual Growth Rate

Entities in Good Standing, Trademark & Fictitious Business Name (DBA) Filings

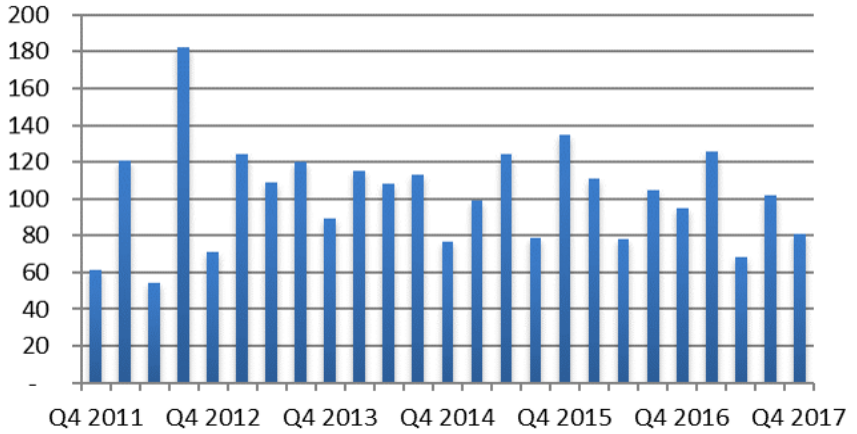
Limited Liability Companies make up 40% of entities in Good Standing. An entity must file paperwork each year to ensure they remain in Good Standing. At the end of Q4 2017, 75,802 entities were in Good Standing with the Secretary of State's office.

Entities in Good Standing



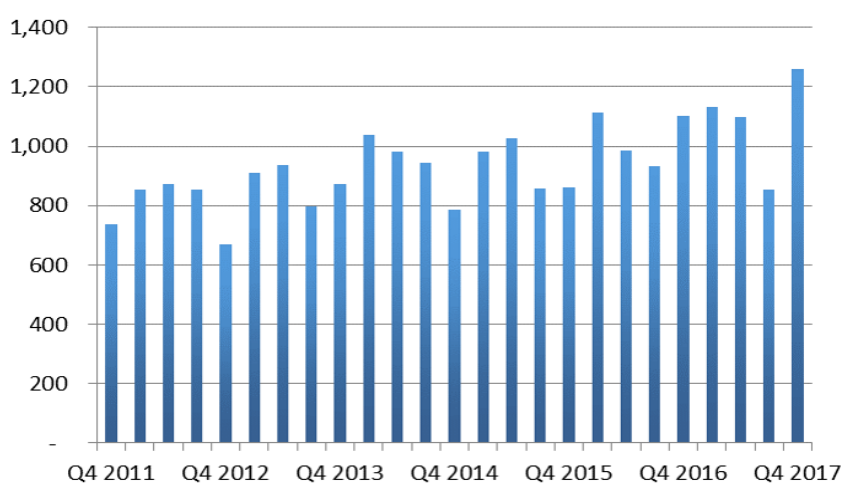
Trademark filings decreased in Q4 2017. Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 81 in Q4 2017, a 20.6% decrease over the prior quarter. Trademark filings for the 12 months ending Q4 2017 totaled 377, which was a decrease of 3.1% from the previous year's number.

Trademark Filings

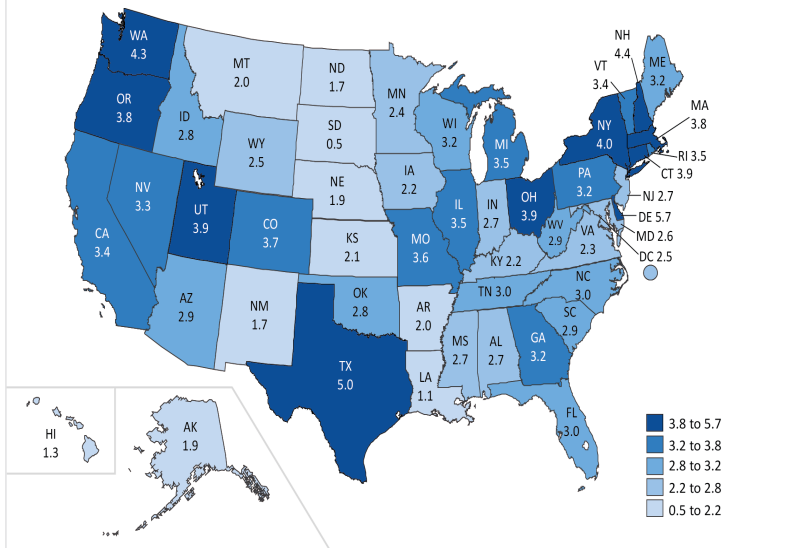


Fictitious Business Name (DBA) filings increased in Q4 2017. Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 1,259 fictitious business name filings in Q4 2017, an increase of 47.4% over the prior quarter. Fictitious business name filings for the 12 months ending Q4 2017 totaled 4,342 which was 5.1% higher than the previous year's number.

Fictitious Business Name (DBA) Filings



Percent Change in Real GDP by State, 2017:Q2–2017:Q3, Seasonally Adjusted at Annual Rates



U.S. Bureau of Economic Analysis

South Dakota Economic Indicators

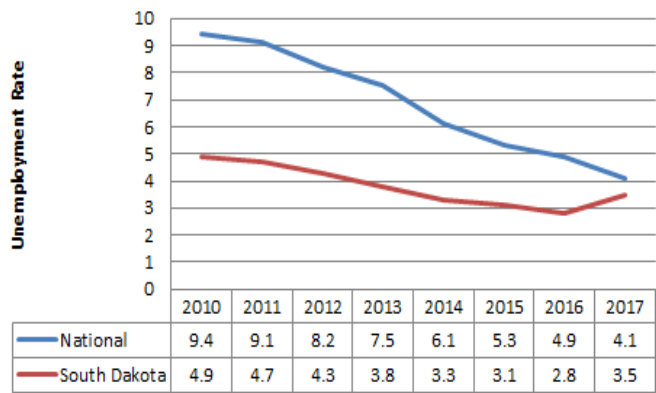
According to the Bureau of Labor Statistics, as of December 2017, South Dakota’s unemployment rate grew to 3.5%, dropping it to a tie for 16th in the United States. Our modeling seems to indicate an 18-24 month lag in crop prices and the effects of unemployment, meaning the continuing sag in the state’s unemployment rate could continue for an extended period of time. Reports issued by the Bureau of Economic Analysis (BEA) showed that South Dakota ranked 50th in real GDP growth rates at .5% (half of one percent) for the third quarter 2017. While that sounds a bit alarming, the tepid growth rate positively marks an end to three consecutive quarters of negative GDP growth for the state. Because the BEA typically releases its reports late (their most recent report is for the 3rd quarter of

2017), it is hard to prescribe forward looking accuracy to 2018. However, because agriculture is a big part of our state’s economy, it only stands to reason that unemployment rates will continue to provide accurate forward looking estimates

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	41,863	41,897	-0.1%	0.5%	2.9%
Total Sales, 12 mo. trailing (millions of dollars)	67,461	66,202	1.9%	-0.2%	0.1%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,121	20,887	1.1%	1.1%	2.6%
Business Outlays					
Average Weekly Wage per Employee	785	819	-4.2%	3.4%	3.0%
Retail Gasoline Price (dollars per gallon)	2.51	2.47	1.6%	5.9%	-5.2%
Economic Overview					
Employment	436,300	436,800	-0.1%	0.2%	1.0%
Unemployment Rate	3.5%	3.3%	6.1%	20.7%	-3.1%
Initial Jobless Claims	480	185	159.5%	31.5%	-2.5%
Continuing Jobless Claims	2,721	910	199.0%	-18.4%	-4.4%
Building Permits, Number of Units, 12 mo. trailing	5,323	4,902	8.6%	-3.3%	5.0%
Valuation (thousands of dollars), 12 mo. trailing	852,797	795,598	7.2%	1.6%	6.4%
FHFA Purchase-Only Home Price Index	283	279	1.4%	5.6%	4.8%
Total Business Bankruptcy Filings	15	13	15.4%	-6.3%	8.4%
Chapter 7	5	8	-37.5%	-50.0%	-9.0%
Chapter 11	3	-	-	-	-
Chapter 13	3	4	-25.0%	-40.0%	24.6%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q3/17); South Dakota Department of Revenue (NSA) (12/17); South Dakota Department of Labor and Regulation (SA) (Q2/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (12/25/17); Bureau of Labor Statistics, CES (SA) (11/17); US Department of Labor, Employment and Training Administration (NSA) (12/30/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/17); FHFA Purchase-Only Home Price Index (SA) (Q3/17); Administrative Office of the US Courts (Q3/17). *Compound Annual Growth Rate.

U.S. vs South Dakota Unemployment



Source: Bureau of Labor Statistics

National Economic Indicators

Nationally, all arrows are pointing up. During periods of growth, the Federal Reserve Bank (Fed) serves to moderate growth in order to protect against inflation. The Fed has not responded aggressively to the upward trends in the economy largely due to the lack of growth in personal income. In previous quarterly reports, our only reservation in regards to the direction of the economy was in understanding why personal income hadn't been following the upward trend along with all the other economic indicators. At this point, we believe the personal income phenomena was the combined effect of two factors, 1) the reentry of displaced workers into the workforce and 2) the effects of global labor outsourcing and immigration on the supply side of the U.S.

Employment markets. As employers need new workers and can't find any, they are forced to increase wages to attract employees. Increases in personal income are generally reflective of too few workers to fill all jobs available. We believe two things will happen in 2018 that we have not seen since the Great Recession: 1) wage inflation will start to occur leading to higher personal wages and 2) the Fed will be forced to respond with at least three rate increases in 2018.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	16,452	16,364	0.5%	2.6%	3.5%
Retail Sales, 12 mo. trailing (billions of dollars)	5,703.7	5,641.8	1.1%	4.1%	3.5%
S&P 500	2,713.1	2,534.6	7.0%	20.2%	13.2%
Business Outlays					
Average Weekly Wage per Employee	1,020	1,111	-8.2%	3.2%	2.5%
Consumer Price Index	247.6	245.0	1.1%	2.2%	1.4%
Core Inflation (All Items Less Food & Energy)	253.7	252.5	0.5%	1.7%	1.9%
Shelter	301.4	299.0	0.8%	3.2%	3.1%
Retail Gasoline Price (dollars per gallon)	2.64	2.68	-1.5%	6.1%	-4.8%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	17,164	17,031	0.8%	2.3%	2.2%
Employment (in thousands)	147,241	146,659	0.4%	1.4%	1.8%
Unemployment Rate	4.1%	4.2%	-2.4%	0.5%	-3.6%
Initial Jobless Claims	225,000	298,000	-24.5%	-10.4%	-14.7%
Continuing Jobless Claims	1,936,000	1,935,000	0.1%	-5.3%	-17.9%
Building Permits, Number of Units, 12 mo. trailing	1,263,518	1,251,503	1.0%	5.7%	9.6%
Valuation (millions of dollars), 12 mo. trailing	253,947	249,902	1.6%	9.3%	13.2%
FHFA Home Price Index	248.7	245.4	1.3%	6.5%	6.1%
Rotary Rig Count	929.0	940.0	-1.2%	41.2%	-12.0%
Total Business Bankruptcy Filings	5,290	6,366	-16.9%	-5.5%	-10.6%
Chapter 7	3,302	3,759	-12.2%	-9.3%	-12.3%
Chapter 11	1,348	1,883	-28.4%	6.0%	-7.8%
Chapter 13	505	528	-4.4%	-9.8%	-7.2%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q3/17); US Census Bureau (NSA) (11/17); Yahoo Finance (1/3/18); Bureau of Labor Statistics, QCEW (NSA) (Q2/17); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (11/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (1/3/18); Bureau of Economic Analysis (SA) (Q3/17); Bureau of Labor Statistics, CES (SA) (12/17); US Department of Labor, Employment and Training Administration (SA) (12/9/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/17); FHFA Purchase-Only Home Price Index (SA) (Q3/17); Baker-Hughes (12/29/17), Administrative Office of the US Courts (Q3/17). *Compound Annual Growth Rate.



The *Quarterly Business & Economic Indicators*, produced by Northern State University on behalf of the South Dakota Secretary of State, in conjunction with MacKenzie Madison Analytics, reports on the correlations between various business filing data and economic metrics. The Labor Market Information Center of the South Dakota Department of Labor and Regulation is a contributing partner of the *Quarterly Business & Economic Indicators* report.