



PUBLISHED BY NORTHERN STATE UNIVERSITY SCHOOL OF BUSINESS

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



Q3 2018 vs. Q2 2018



Q3 2018 vs. Q3 2017



Q4 2018 vs. Q3 2018

Shantel Krebs
South Dakota Secretary of State
State Capitol
500 East Capitol Avenue
Pierre, SD 57501-5070

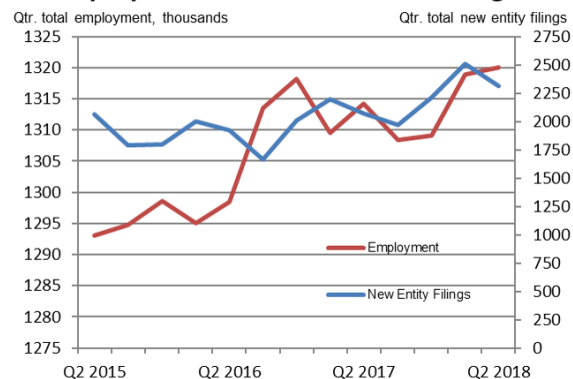
South Dakota's economy continues to show strength...

Through the second quarter 2018, the majority of the economic indicators showed improvements. The unemployment rate decreased to 3.2%, showing a marked improvement for the first time in five quarters. Overall, new entity filings continued on the positive trend, posting gains in most categories versus 2017, and some modest pullbacks from the first quarter.

Nationally, economic indicators continue to run red hot. The story of the quarter was the trade wars, tariffs, and international responses. While earnings continue to show growth in many sectors, we are beginning to see hints of pullback in big tech like Facebook. We continue to view earnings as a primary indicator of growth, and as reported in prior reports, expect the tax cuts to be tempered with increasing interest rates and growing signs of heated inflation. The wage push will affect all sectors of the economy, driving most consumer indexes north, with the primary heat starting with housing.

The tenure of new Federal Reserve Chairman Jerome Powell has not disappointed; two meetings and two rate increases. As reported in the last issue, contrary to original predictions as to three rate increases in 2018, the meeting notes strongly suggest that there will be four. So far, President Trump has not interjected commentary into the Federal Reserve's moves, but has simply reflected on their comments and the strength of the economy. The outlook for the remainder of the year is one of continued growth, tempered by the mid-term elections. Time will tell as to whether the Fed will choose to raise rates in the third quarter to coincide with the mid-term elections. Some political theorists speculate that they may hold off until after the elections, and then immediately raise in November, and then again before the end of the year to avoid the "bounce" the market would experience.

Employment and New Business Filings



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



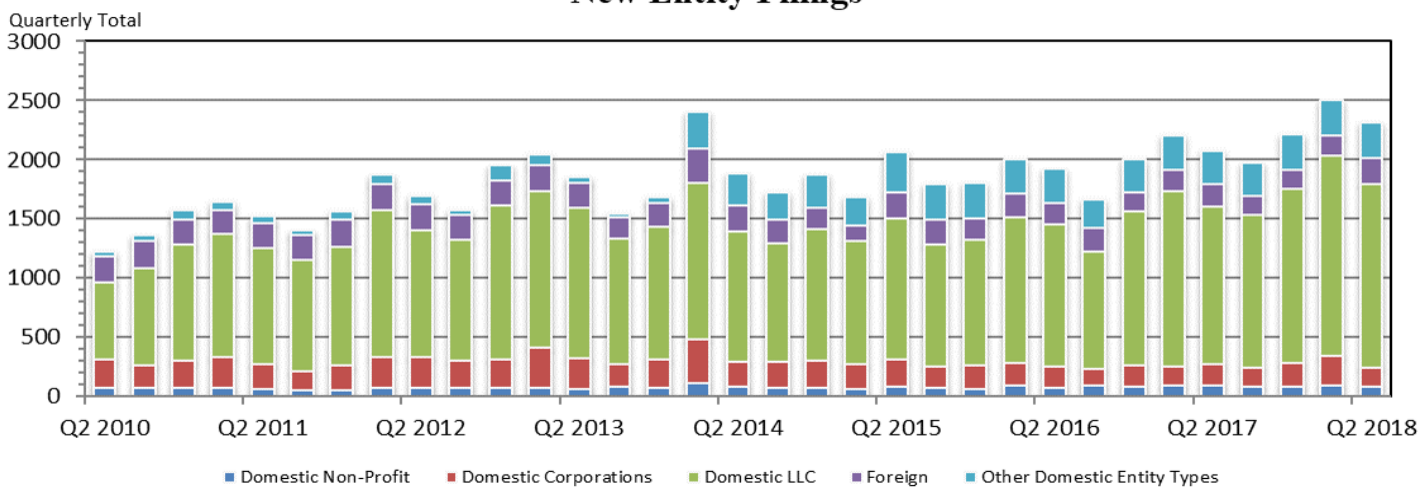
The Secretary of State's Office is happy to announce another user-friendly update to our on-line business filing systems. This latest update includes a new business entity search by Registered Agent. Using this new search, customers can now find business entity records by the individual or organization name of the Registered Agent associated to those specific entities.

This new search can be found on our website at: <https://sosenterprise.sd.gov/BusinessServices/Business/RaSearch.aspx> or by clicking on the "Search by Registered Agent" button on our Business Services page.

Please visit our website www.sdsos.gov for more information.

Shantal 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	1,543	1,691	1,334	15.7%	3.9%
Domestic Nonprofit Corporation	85	88	93	-8.6%	5.8%
Domestic Business Corporation	161	255	175	-8.0%	-8.9%
Foreign Entity Types	228	170	188	21.3%	1.7%
Other Domestic Entity Types	295	304	279	5.7%	43.8%
Total New Entity Filings	2,312	2,508	2,069	11.7%	4.5%
Total New Entity Filings-12 mo. trailing	9,003	8,760	7,939	13.4%	3.9%
Other Business Filings					
New Trademarks	22	37	27	-18.5%	-9.4%
Renewal Trademarks	58	60	41	41.5%	-4.5%
Total Trademarks	80	97	68	17.6%	-6.0%
Trademarks-12 mo. trailing	360	348	394	-8.6%	-5.7%
DBA Business Names (Fictitious)	1,301	1,112	1,098	18.5%	6.8%
DBA Business Names (Fictitious)-12 mo. trailing	4,532	4,323	4,264	6.3%	6.1%

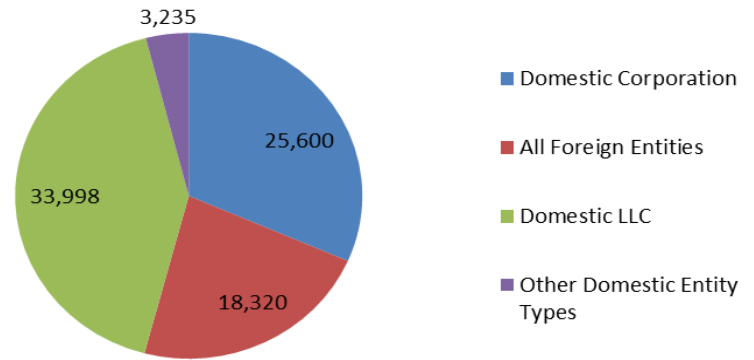
* Compound Annual Growth Rate

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

Limited Liability Companies make up 42% of entities in Good Standing.

An entity must file paperwork each year to ensure they remain in Good Standing. At the end of Q2 2018, 81,153 entities were in Good Standing with the Secretary of State's office.

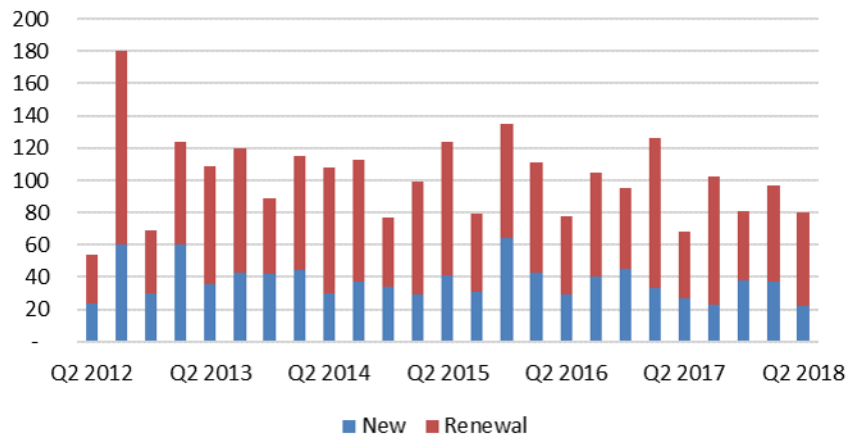
Entities in Good Standing



Trademark filings decreased in Q2 2018.

Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 80 in Q2 2018, a 17.5% decrease over the prior quarter. Trademark filings for the 12 months ending Q2 2018 totaled 360, which was a decrease of 8.6% from the previous year's number.

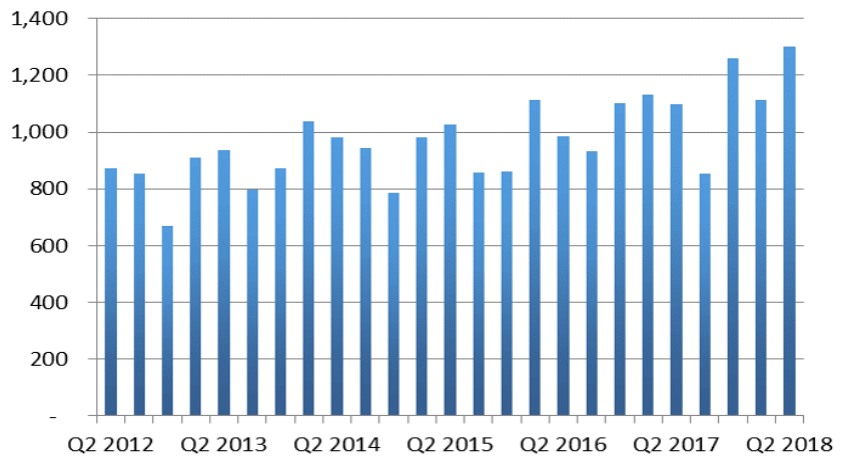
Trademark Filings



DBA Business Name (Fictitious) filings increased in Q2 2018.

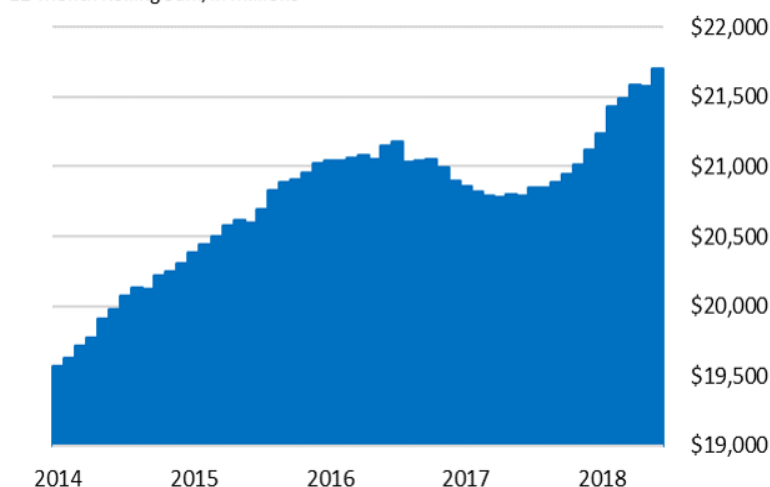
Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 1,301 DBA business name (fictitious) filings in Q2 2018, an increase of 17% over the prior quarter. DBA business name (fictitious) filings for the 12 months ending Q2 2018 totaled 4,532 which was 6.3% higher than the previous year's number.

Fictitious Business Name (DBA) Filings



South Dakota Taxable Sales

12-Month Rolling Sum, in millions



Source: South Dakota Department of Revenue

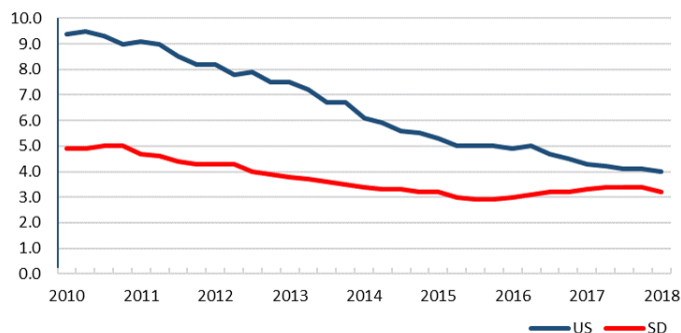
South Dakota Economic Indicators

According to the Bureau of Labor Statistics, as of June 2018, South Dakota's unemployment rate dropped to 3.2%, moving into a tie for 13th lowest in the United States. As discussed in the prior issue, the unseemly increases to our state's rate now seems to be curbed. Grain prices appear to be following the same patterns as 2017. Based on the relationship between crop prices and the overall South Dakota economy, we expect that taxable sales and unemployment to remain stable for the coming 18-24 month outlook, barring something unforeseen in the macro economy. The Bureau of Economic Analysis showed that the SD's rate of GDP growth, during the most recent economic reporting period of 4th Quarter 2017, trailed only North Dakota in rate of GDP at -0.5%. The two noted points of interest for us are crop prices and farming failure rate. Our expectation is that as interest rates increase and farmers are unable to service debt, South Dakota's GDP will continue to falter.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	42,595	42,246	0.8%	1.8%	2.3%
Total Sales, 12 mo. trailing (millions of dollars)	72,474	68,985	5.1%	8.7%	2.2%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,702	21,489	1.0%	4.4%	2.8%
Business Outlays					
Average Weekly Wage per Employee	856	803	6.6%	3.4%	2.7%
Retail Gasoline Price (dollars per gallon)	2.77	2.61	6.1%	22.0%	-5.1%
Economic Overview					
Employment	440,700	440,100	0.1%	1.5%	1.1%
Unemployment Rate	3.2%	3.4%	-5.9%	-3.0%	-3.4%
Initial Jobless Claims	158	138	14.5%	-5.4%	-10.0%
Continuing Jobless Claims	1,132	2,967	-61.8%	-10.3%	-8.0%
Building Permits, Number of Units, 12 mo. trailing	5,369	5,295	1.4%	6.3%	1.0%
Valuation (thousands of dollars), 12 mo. trailing	870,783	871,196	0.0%	7.9%	4.4%
FHFA Purchase-Only Home Price Index	286	286	0.0%	2.9%	4.5%
Total Business Bankruptcy Filings	15	9	66.7%	114.3%	-2.5%
Chapter 7	6	5	20.0%	100.0%	-9.7%
Chapter 11	1	2	-50.0%	-	0.0%
Chapter 13	4	-	-	100.0%	-4.4%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q1'18); South Dakota Department of Revenue (NSA) (6/18); South Dakota Department of Labor and Regulation (SA) (Q4/18); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (6/25/18); Bureau of Labor Statistics, CES (SA) (6/18); US Department of Labor, Employment and Training Administration (NSA) (6/30/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/18); FHFA Purchase-Only Home Price Index (SA) (Q1'18); Administrative Office of the US Courts (Q1'18). *Compound Annual Growth Rate.

US vs. SD Unemployment Rate



Source: US Department of Labor and SD Department of Labor

National Economic Indicators

Nationally, unemployment rates have stabilized from their steep downward trend, leveling at 4% for the 2nd Quarter. Most indicators continue to show positive trends for the U.S. economy. If there is a downside, it is rooted in rising personal income and average wages. While that sounds counterintuitive, wage inflation leads to core inflation, which has the potential to lead to dramatic increases in interest rates. Overall debt is at 45% of the U.S. GDP, which means one thing, if inflation spirals, rates will spiral. Anything that happens with velocity has the potential to create viral movements in employment and slowdowns. The story of the quarter internationally was the continuing

tariff and trade war conversations between the United States, European Union (EU) and China. President Trump has continued to push both trading partners on fair trade practices. In addition, he continues to push our partners in the EU to contribute more of their GDP toward support of North Atlantic Treaty Organization (NATO). Quantitative Easing has once again surfaced in conversation. While most agree that in retrospect, the Fed’s movement during the financial crisis was able to pull the economy from the brink of collapse, the growing conversation concerns what we can learn for the future. In that context, the conversation has turned to analyzing the activities of the Fed leading up to the financial crisis that potentially contributed to the meltdown. Depending on the tendency of the economist, the conclusions reached are that a more proactive and forward thinking approach must be taken to prevent another meltdown.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	16,851	16,658	1.2%	3.7%	3.9%
Retail Sales, 12 mo. trailing (billions of dollars)	5,871.0	5,793.6	1.3%	4.8%	3.7%
S&P 500	2,716.3	2,610.1	4.1%	11.3%	11.0%
Business Outlays					
Average Weekly Wage per Employee	1,109	1,021	8.6%	3.9%	2.1%
Consumer Price Index	250.5	249.6	0.4%	2.7%	1.6%
Core Inflation (All Items Less Food & Energy)	256.9	255.8	0.4%	2.2%	2.0%
Shelter	308.6	303.7	1.6%	3.5%	3.2%
Retail Gasoline Price (dollars per gallon)	2.91	2.82	3.2%	21.2%	-4.4%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	17,372	17,287	0.5%	2.8%	2.3%
Employment (in thousands)	148,912	148,230	0.5%	1.6%	1.8%
Unemployment Rate	4.0%	4.1%	-2.4%	-0.3%	-3.5%
Initial Jobless Claims	222,000	226,000	-1.8%	-9.8%	-13.5%
Continuing Jobless Claims	1,701,000	1,836,000	-7.4%	-12.5%	-18.1%
Building Permits, Number of Units, 12 mo. trailing	1,313,227	1,280,145	2.6%	7.6%	7.8%
Valuation (millions of dollars), 12 mo. trailing	265,488	259,022	2.5%	9.5%	11.0%
FHFA Home Price Index	213.0	252.7	-15.7%	6.3%	5.3%
Rotary Rig Count	1,047.0	1,003.0	4.4%	11.4%	-9.7%
Total Business Bankruptcy Filings	5,669	5,727	-1.0%	-0.8%	-7.8%
Chapter 7	3,355	3,457	-3.0%	-6.9%	-10.1%
Chapter 11	1,718	1,668	3.0%	19.7%	-2.9%
Chapter 13	460	477	-3.6%	-14.7%	-7.8%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q1'18); US Census Bureau (NSA) (5/18); Yahoo Finance (6/26/18); Bureau of Labor Statistics, QCEW (NSA) (Q4/17); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (5/18); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (6/25/18); Bureau of Economic Analysis (SA) (Q1'18); Bureau of Labor Statistics, CES (SA) (6/18); US Department of Labor, Employment and Training Administration (SA) (6/2/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/18); FHFA Purchase-Only Home Price Index (SA) (Q1'18); Baker-Hughes (6/29/18), Administrative Office of the US Courts (Q1'18). *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.