



## Fourth Quarter 2016

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### INDICATORS

#### Employment (SA)



vs. prior qtr.



vs. prior year

#### New Entity Filings



vs. prior qtr.



vs. prior year

#### Personal Income



vs. prior qtr.



vs. prior year

#### Unemployment



vs. prior qtr.



vs. prior year

### EMPLOYMENT FORECASTS



Q1 2017 vs. Q4 2016



Q1 2017 vs. Q1 2016



Q2 2017 vs. Q1 2016

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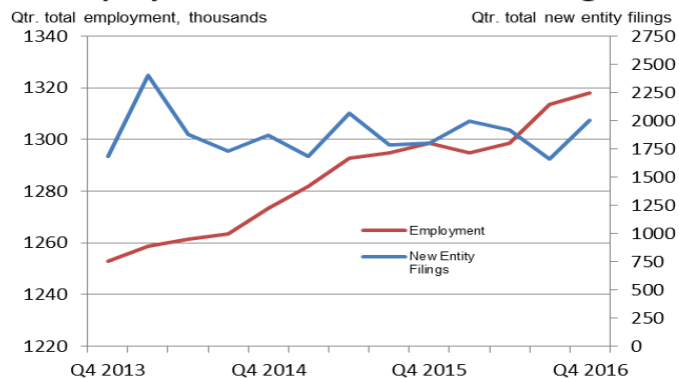
### South Dakota continues to show strength

**South Dakota continued to experience generally positive trends in the 4<sup>th</sup> quarter of 2016**, despite continued weakness in crop prices. As noted in prior issues, however, sales tax revenues are beginning to point to the effects of what will now be four years of declining crop prices since the run up in 2012. New entity filings continue to grow, despite what appears to be the signs of slowing economic growth in our state. Ag projections show that corn acres may be on the decline, leading to possible increases in corn prices.

**The Story of the Quarter was the election of the 45<sup>th</sup> President, Donald J. Trump.** Although markets negatively reacted to President Trump's surprise win, markets quickly recovered and then proceeded to react very favorably. Additionally, the 115<sup>th</sup> Congress is held by the Republican majority in both the House and Senate, setting up what will be an interesting study in what could be historic repeals of many of President Obama's works while in office. With national unemployment and inflation meeting targets set by the Federal Reserve, Chairman Yellen has all but indicated that benchmark rates will rise in the first quarter of 2017.

**Leaders from around the world reacted in different ways, following President Trump's election.** President Trump's message has been lauded by many in the U.S., which has led to concerns from some of America's long-term allies. Before stepping into office, President Trump promised renegotiations of major trade agreements and border taxes for U.S. companies that chose to manufacturer outside U.S. borders and also who continued to avoid U.S. taxes through clever foreign corporate structuring. As with most modern-era presidents, what will remain to be seen is to what extent campaign conversation becomes American policy.

#### 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.

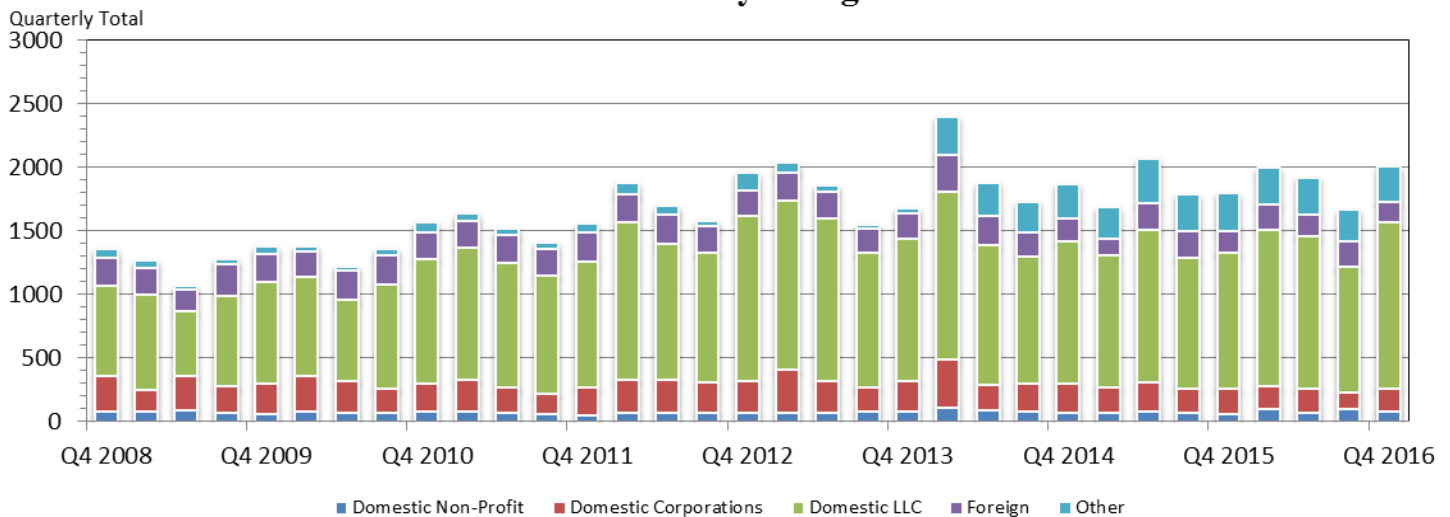
## Secretary's Minute



The new business entity online filing system has been up and running since November 14th. Our office filed formation documents for 941 limited liability companies in the last 45 days of 2016, with the majority (68%) of those formed online with the new system. In a push towards greater transparency, we have also made more historical business records available to the public. We now have almost 5,000,000 corporate and uniform commercial code documents available to view online. By the time this report is issued you'll be able to form a new business corporation online with our system starting in February. Please check out our new online system through which you are able to file your business documents in less than five minutes at [www.sdsos.gov](http://www.sdsos.gov).

*Shantel Krebs*

### New Entity Filings



	Current Period	3 months Prior	Prior Year	Percent Change over Prior Year	5 Year CAGR*
<b>New Entity Filings</b>					
Domestic Limited Liability Company	1,306	991	1,068	22.3%	5.6%
Domestic Nonprofit Corporation	79	95	61	29.5%	10.5%
Domestic Business Corporation	179	136	196	-8.7%	-3.8%
Other Entity Types	442	443	476	-7.1%	8.1%
<b>Total New Entity Filings</b>	<b>2,006</b>	<b>1,665</b>	<b>1,801</b>	<b>11.4%</b>	<b>5.2%</b>
<b>Total New Entity Filings-12 mo. trailing</b>	<b>7,592</b>	<b>7,387</b>	<b>7,341</b>	<b>3.4%</b>	<b>4.4%</b>
<b>Other Business Filings</b>					
Trademarks	95	105	135	-29.6%	9.3%
Trademarks-12 mo. trailing	389	429	437	-11.0%	-1.3%
Fictitious Business Names (DBA)	1,103	932	861	28.1%	8.4%
Fictitious Business Names (DBA)-12 mo. trailing	4,133	3,891	3,727	10.9%	4.2%

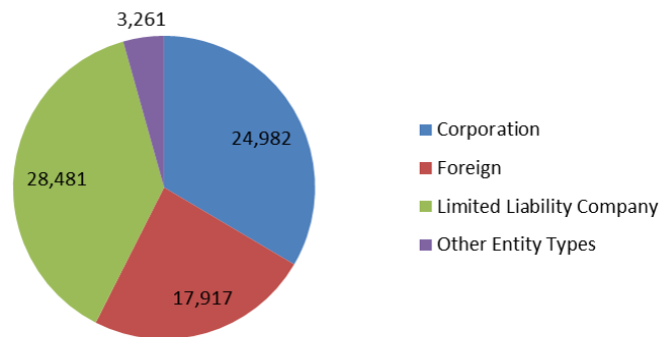
\* Compound Annual Growth Rate

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

### Limited Liability Companies make up 38% of entities in Good Standing.

An entity must file paperwork each year to ensure they remain in Good Standing. At the end of Q4 2016, 74,641 entities were in Good Standing with the Secretary of State's office.

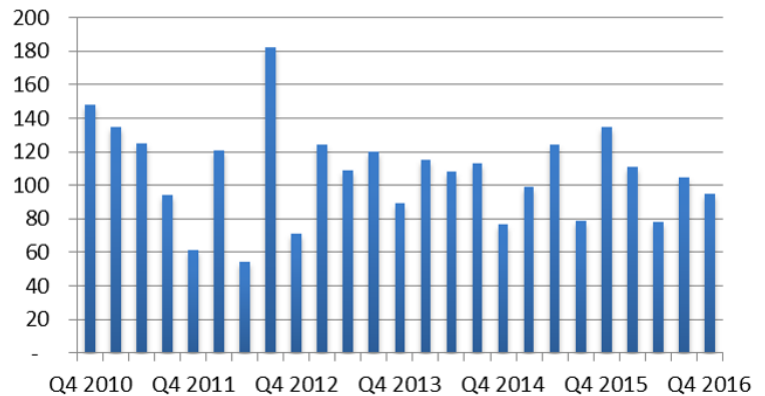
Entities in Good Standing



### Trademark filings decreased in Q4 2016.

Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 95 in Q4 2016, a 4.8% decrease over the prior quarter. Trademark filings for the 12 months ending Q4 2016 totaled 389, which was a decrease of 11.0% from the previous year's number.

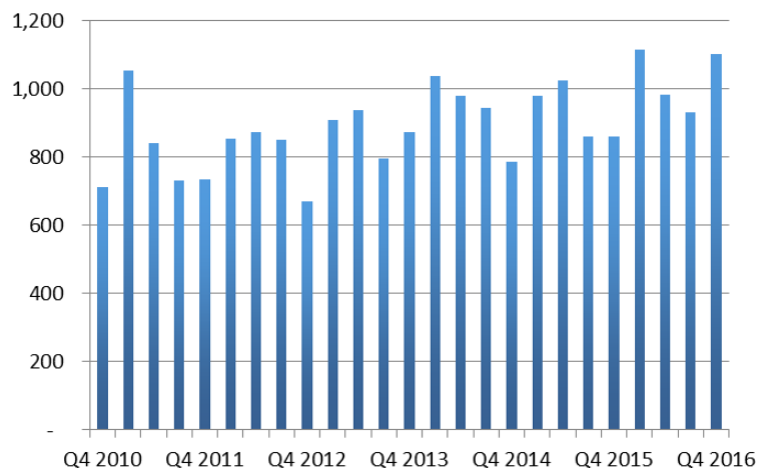
Trademark Filings



### Fictitious Business Name (DBA) filings increased in Q4 2016.

Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 1,103 fictitious business name filings in Q4 2016, an increase of 18.3% over the prior quarter. Fictitious business name filings for the 12 months ending Q4 2016 totaled 4,133 which was 10.9% higher than the previous year's number.

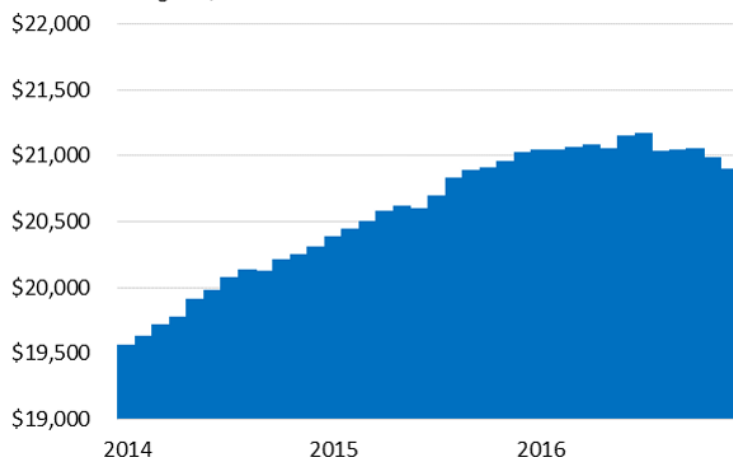
Fictitious Business Name (DBA) Filings



## South Dakota Economic Indicators

### South Dakota Taxable Sales

12-Month Rolling Sum, in millions



Source: South Dakota Department of Revenue

### South Dakota claimed the nation's best unemployment rate for the fourth quarter in a row, falling from 2.9% to 2.7%, again sharing the top post with the state of New Hampshire.

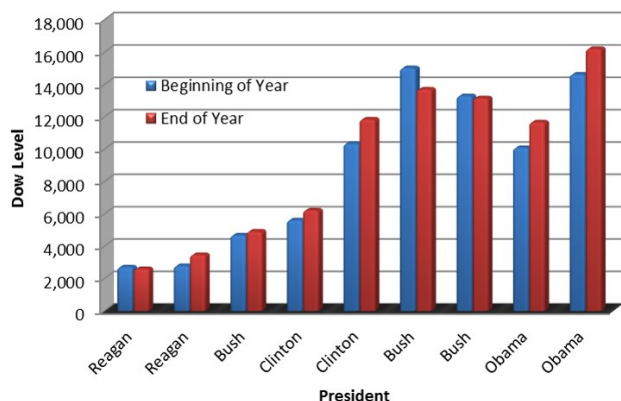
Regionally, North Dakota retained its position in third, but Nebraska fell to 7<sup>th</sup>, and Wyoming to 28<sup>th</sup>. Wyoming has been affected by the Obama administration's actions on the coal industry, where North Dakota has been resilient despite the continuing weakness in the price of crude oil. As noted in previous issues, we are potentially beginning to see the effects of the lag in crop prices in our state, with total taxable sales showing a flattening trend in prior quarters and then in the current quarter, showing an actual decline. While President Trump's proposal of increasing manufacturing tax credits could prove beneficial to our state, the bulk of our economy is largely ag-based

and, as a result, SD could continue to see flattening revenues without some positive movement in the price of corn and beans.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
<b>Wealth</b>					
Personal Income (millions of dollars)	41,818	41,082	1.8%	2.1%	2.4%
Total Sales, 12 mo. trailing (millions of dollars)	67,584	68,128	-0.8%	-1.1%	1.7%
Taxable Sales, 12 mo. trailing (millions of dollars)	20,901	21,045	-0.7%	-0.6%	3.4%
<b>Business Outlays</b>					
Average Weekly Wage per Employee	760	771	-1.4%	2.7%	3.0%
Retail Gasoline Price (dollars per gallon)	2.37	2.24	5.8%	20.9%	-6.2%
<b>Economic Overview</b>					
Employment	440,000	438,800	0.3%	2.4%	1.4%
Unemployment Rate	2.7%	2.9%	-6.9%	-10.0%	-9.3%
Initial Jobless Claims	365	239	52.7%	-12.0%	-6.9%
Continuing Jobless Claims	3,335	1,046	218.8%	15.3%	-5.0%
Building Permits, Number of Units, 12 mo. trailing	5,502	5,206	5.7%	22.2%	13.8%
Valuation (thousands of dollars), 12 mo. trailing	839,309	800,202	4.9%	24.6%	14.6%
FHFA Purchase-Only Home Price Index	268	265	1.1%	5.1%	4.1%
Total Business Bankruptcy Filings	16	10	60.0%	23.1%	-10.6%
Chapter 7	10	5	100.0%	233.3%	-9.0%
Chapter 11	-	-	-	-	-
Chapter 13	5	4	25.0%	66.7%	10.8%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q3/16); South Dakota Department of Revenue (NSA) (12/16); South Dakota Department of Labor and Regulation (SA) (Q2/16); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (12/26/16); Bureau of Labor Statistics, CES (SA) (11/16); US Department of Labor, Employment and Training Administration (NSA) (12/31/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/16); FHFA Purchase-Only Home Price Index (SA) (Q3/16); Administrative Office of the US Courts (Q3/16). \*Compound Annual Growth Rate.

### First Year of Term Market Performance



Source: Yahoo Finance

### National Economic Indicators

**The United States economy continues to show strong signs of continued strength and growth.** While there is uncertainty with what the future will hold with regard to trading partners, what remains true is that the United States is still the world's largest economy with an estimated nominal GDP of over \$18 trillion, which represents close to a quarter of the world's GDP. While Corporate America has been pretty straight forward in the reasons for globalization, two of the chief reasons being lower taxes and cheaper labor, President Trump has indicated some of his priorities are to ensure that jobs not only remain in the United States, but also return to the United States. The concept of more jobs in the United States would address what appears to be one weakness still seen in the data, average weekly earnings. As jobs

become more plentiful, wages will theoretically rise in the United States. In short, President Trump's plan isn't fully formed, but the basic equation seems to be lower corporate taxes and no border taxes in exchange for corporations keeping jobs in the U.S. The devil will be in the details of the plan, which leads to potential other questions, such as what will the effect be on home prices and other prices in the U.S.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
<b>Wealth</b>					
Personal Income (billions of dollars)	16,110	15,901	1.3%	3.5%	3.9%
Retail Sales, 12 mo. trailing (billions of dollars)	5,488.6	5,430.8	1.1%	3.0%	3.6%
S&P 500	2,238.8	2,168.3	3.3%	9.5%	12.2%
<b>Business Outlays</b>					
Average Weekly Wage per Employee	989	1,043	-5.2%	2.2%	2.1%
Consumer Price Index	243.0	241.0	0.8%	2.1%	1.4%
Energy	204.3	192.2	6.3%	5.5%	-3.4%
Transportation Services	302.8	300.3	0.8%	2.8%	2.3%
Retail Gasoline Price (dollars per gallon)	2.42	2.33	3.9%	13.1%	-6.1%
<b>Economic Overview</b>					
Real Gross Domestic Output (billions of chained 2009 dollars)	16,727	16,583	0.9%	1.7%	-
Employment (in thousands)	145,303	144,747	0.4%	1.5%	1.8%
Unemployment Rate	4.7%	5.0%	-6.0%	-6.0%	-11.2%
Initial Jobless Claims	275,000	254,000	8.3%	2.2%	-5.7%
Continuing Jobless Claims	2,105,000	2,062,000	2.1%	-4.8%	-10.1%
Building Permits, Number of Units, 12 mo. trailing	1,179,500	1,168,500	0.9%	0.8%	13.7%
Valuation (millions of dollars), 12 mo. trailing	230,711	226,117	2.0%	6.5%	17.3%
FHFA Home Price Index	234.7	231.0	1.6%	6.1%	5.6%
Total Business Bankruptcy Filings	5,597	6,537	-14.4%	-11.7%	-13.7%
Chapter 7	3,639	3,760	-3.2%	-8.4%	-15.4%
Chapter 11	1,272	1,996	-36.3%	-26.2%	-10.7%
Chapter 13	560	591	-5.2%	6.7%	-9.1%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q3/16); US Census Bureau (NSA) (Q4/16); Yahoo Finance (12/30/16); Bureau of Labor Statistics, QCEW (NSA) (Q2/16); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (Q4/16); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (12/26/16); Bureau of Economic Analysis (SA) (Q3/16); Bureau of Labor Statistics, CES (SA) (12/16); US Department of Labor, Employment and Training Administration (SA) (12/17/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/16); FHFA Purchase-Only Home Price Index (SA) (Q3/16); Administrative Office of the US Courts (Q3/16). \*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.