



First Quarter 2018

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

South Dakota's economy has improved!

South Dakota's economy began 2018 on a positive note. Most economic indicators showed growth in the first quarter. The unemployment rate decreased to 3.4%, which ended four quarters of increases in SD. New entity filings increased dramatically; growing 14.1% versus same period 2017 and 12.4% versus the same trailing 12-month period.

Nationally, almost all economic indicators are pointing toward continued growth. The story of the quarter was volatility in the stock market, largely driven by threats of trade wars with trading partners in the both European Union and China. Overall, while earnings maintain growth, the stock market continues to see heavy levels of volatility. Our expectation is that earnings will continue to establish base levels of the stock market and drive markets north, albeit with persistent high levels of volatility. We expect the American economy will see persistent inflation, lead both by increasing wages and housing costs.

February marked the first month on the job for the 16th Federal Reserve Chairman, Jerome Powell. In March, the Federal Open Market Committee (FOMC) voted to increase the federal funds rates by 25 basis points. The notes of the meeting also suggested that the Fed will likely increase rates another three times in 2018. Statistically speaking, stock markets do not typically perform well in years of a new Fed Chair. One of the more interesting bylines to watch under the new Chair's tenure will be the politics. Due to the fact that increasing interest rates typically affect the stock market, and most voters view the stock market as a bellwether to presidential performance, most presidents tend to favor easy monetary policy and big runs in the stock market. Given President Trump's propensity to tweet his reflection on people's performance, it will be interesting to watch that indirect dialogue play out.

EMPLOYMENT FORECASTS



Q2 2018 vs. Q1 2018



Q2 2018 vs. Q2 2017

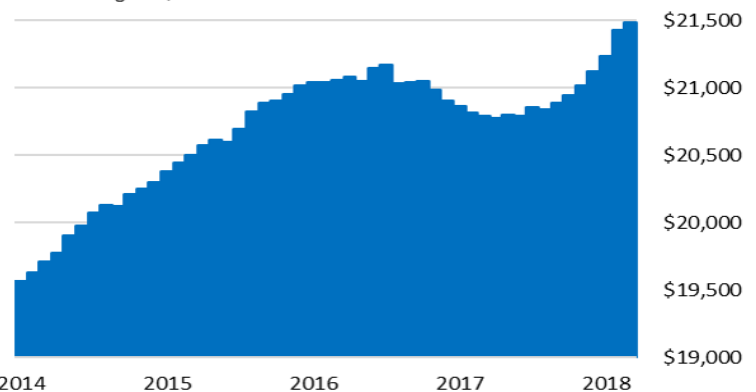


Q3 2018 vs. Q2 2018

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

South Dakota Taxable Sales

12-Month Rolling Sum, in millions



Source: South Dakota Department of Revenue

Secretary's Minute



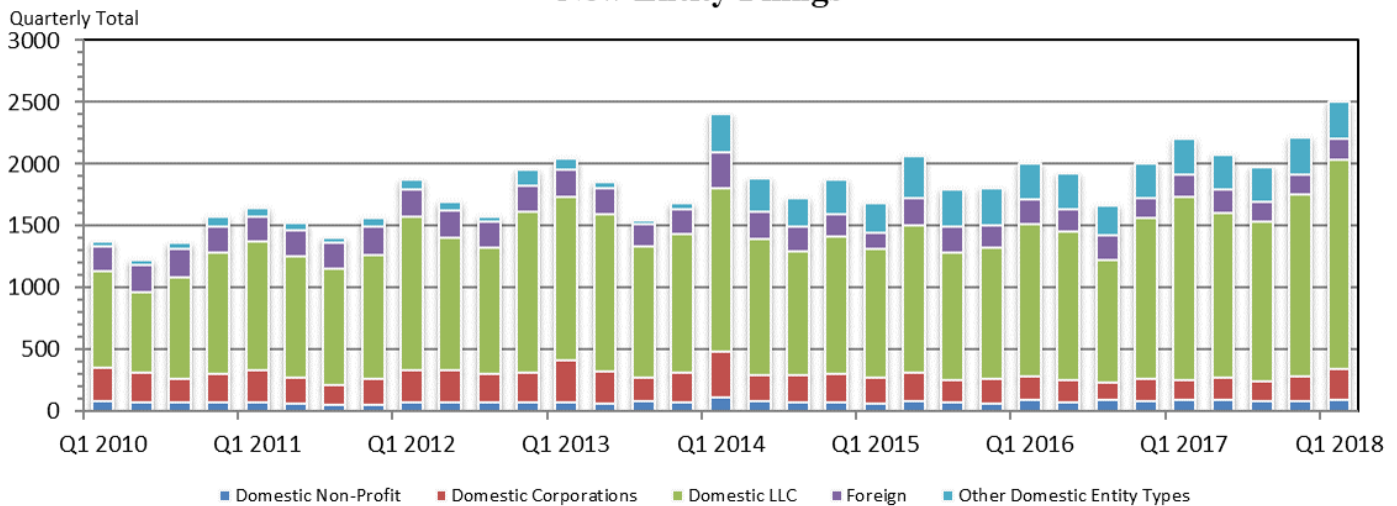
As Secretary of State, I am committed to improving records transparency and management. The office has already worked to convert 5.2 million microfilm and microfiche images into digital images, including Business Filings, Uniform Commercial Code filings, Annual Reports, Executive Proclamations, Executive Orders and Executive Appointments.

In continuing with that initiative, I am pleased to announce the recent addition of nearly 7,500 Executive Proclamations from 1903 to 1983 that are newly available to search via the General Services section of the website. Financial Interest Statements for Candidates and Elected Officials for statewide and legislative public office and campaign finance reports are also available for public review through the Election Services section of the website.

Through the Transparency Initiative, additional filings not previously available digitally will soon be accessible on the website as the office continues to roll out this initiative. These filings include: Farm, Ranch and Home Registrations from 1975 to current, Newspaper Ownership Statements from 1999 to current, Administrative Rules from 1992 to current, Bond Information Statements from 2003 to current, Executive Orders prior to 1995, and Executive Proclamations from 1984 to 2002. Please review our website www.sdsos.gov for more information.

Shantel Krebs

New Entity Filings



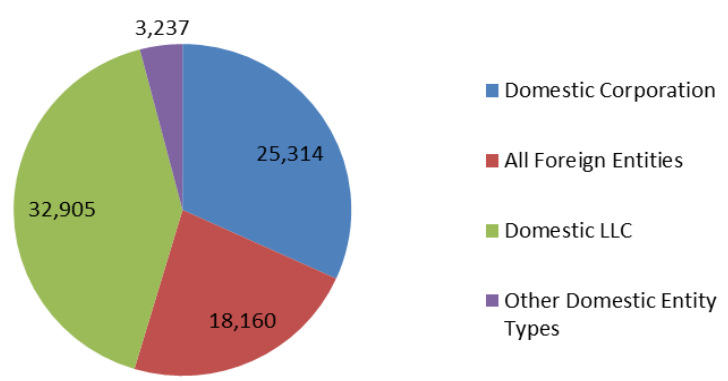
	Current Period	3 months Prior	Prior Year	Percent Change over Prior Year	5 Year CAGR*
New Entity Filings					
Domestic Limited Liability Company	1,691	1,480	1,475	14.6%	6.4%
Domestic Nonprofit Corporation	88	81	88	0.0%	5.6%
Domestic Business Corporation	255	197	166	53.6%	-0.6%
Foreign Entity Types	170	155	181	-6.1%	-5.3%
Other Domestic Entity Types	304	299	289	5.2%	30.0%
Total New Entity Filings	2,508	2,212	2,199	14.1%	6.0%
Total New Entity Filings-12 mo. trailing	8,760	8,451	7,791	12.4%	6.6%
Other Business Filings					
New Trademarks	37	38	33	12.1%	5.0%
Renewal Trademarks	60	43	93	-35.5%	-7.6%
Total Trademarks	97	81	126	-23.0%	-4.3%
Trademarks-12 mo. trailing	348	377	404	-13.9%	-2.8%
Fictitious Business Names (DBA)	1,112	1,259	1,131	-1.7%	5.4%
Fictitious Business Names (DBA)-12 mo. trailing	4,323	4,342	4,150	4.2%	6.5%

* Compound Annual Growth Rate

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

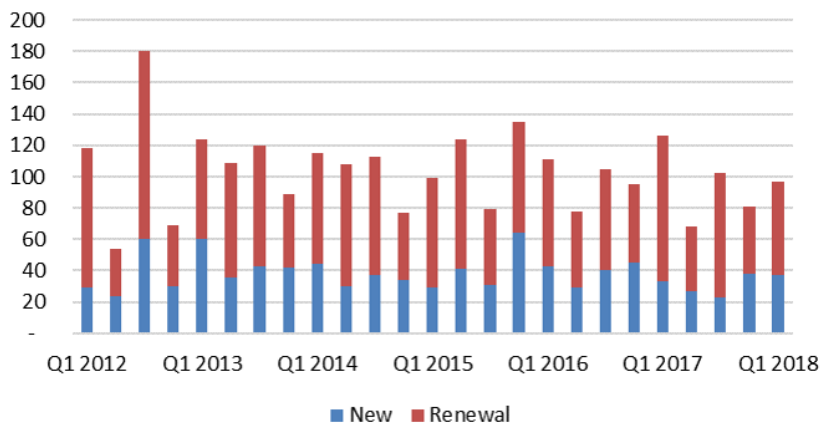
At the end of Q1 2018, 79,616 entities were in Good Standing. An entity must file paperwork with the South Dakota Secretary of State's office each year to ensure they remain in Good Standing. Limited Liability Companies make up 41% of entities in Good Standing.

Entities in Good Standing



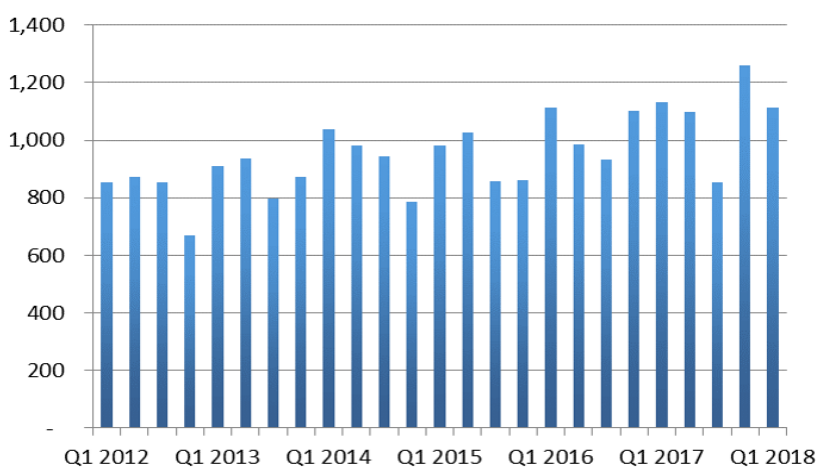
Trademark filings increased in Q1 2018. Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 97 in Q1 2018, a 19.8% increase over the prior quarter. Trademark filings for the 12 months ending Q1 2018 totaled 348, which was a decrease of 13.9% from the previous year's number.

Trademark Filings

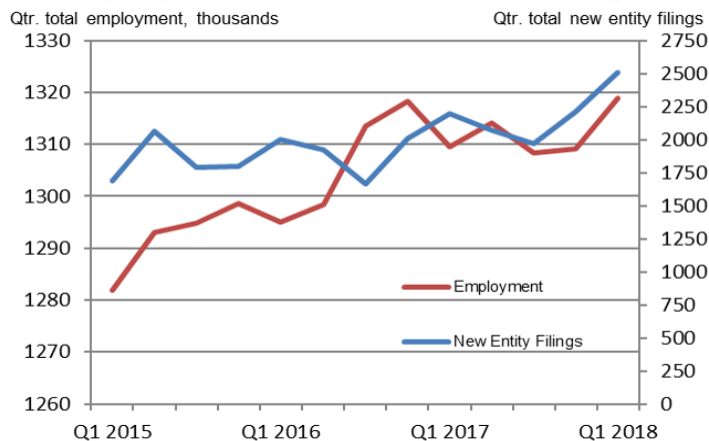


The South Dakota Secretary of State received 1,112 fictitious business name filings in Q1 2018, a decrease of 11.7% over the prior quarter. Entities must file a fictitious name statement when operating under any name other than their true name. Fictitious business name filings for the 12 months ending Q1 2018 totaled 4,323 which was 4.2% higher than the previous year's number.

Fictitious Business Name (DBA) Filings



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.

South Dakota Economic Indicators

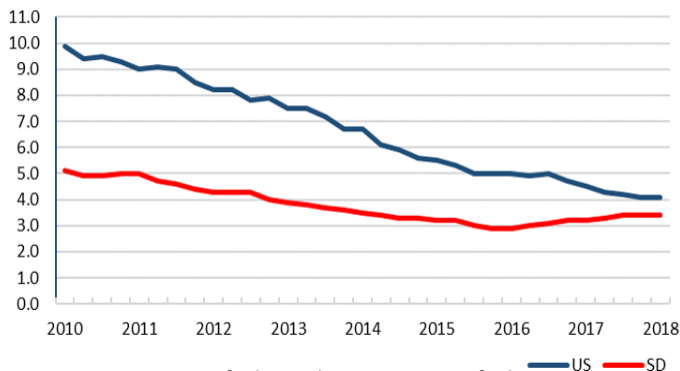
According to the Bureau of Labor Statistics, as of March 2018, South Dakota's unemployment rate dropped to 3.4%, moving the state into a tie for 14th in the United States. By appearance, the recent increases in the unemployment rate in South Dakota appears to have subsided and stabilized. Crop prices are on par with the 1st quarter of 2017, which leaves both quarters representing a 20-30% increase over the prices in the 1st quarter of 2016. As mentioned in previous issues, we have noted an apparent 18-24 month lag in crop prices and the effects they have on unemployment and the state's economy. If crop prices continue to hold, we would expect unemployment to continue to be stable. Although not scientifically measured, there appears to be a relationship between new business filings and the next quarter's unemployment. By

that measure, it appears that the following quarters will most likely show stable or improved unemployment. Of an interesting note, the Bureau of Economic Analysis showed that the SD's rate of GDP growth, during the most recent economic reporting period of the 3rd quarter 2017, ranked last at .5%. The next report is due May 4th, so it is uncertain if that trend will continue.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	42,246	41,863	0.9%	2.0%	1.9%
Total Sales, 12 mo. trailing (millions of dollars)	68,985	67,461	2.3%	2.7%	1.0%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,489	21,121	1.7%	3.4%	3.6%
Business Outlays					
Average Weekly Wage per Employee	803	785	2.3%	-0.7%	3.3%
Retail Gasoline Price (dollars per gallon)	2.61	2.51	4.0%	27.9%	-7.9%
Economic Overview					
Employment	440,100	436,300	0.9%	1.5%	1.3%
Unemployment Rate	3.4%	3.5%	-2.9%	6.3%	-3.7%
Initial Jobless Claims	138	480	-71.3%	-23.3%	-12.2%
Continuing Jobless Claims	2,967	2,721	9.0%	-9.3%	-5.5%
Building Permits, Number of Units, 12 mo. trailing	5,295	5,323	-0.5%	-1.6%	11.6%
Valuation (thousands of dollars), 12 mo. trailing	871,196	852,797	2.2%	5.5%	13.9%
FHFA Purchase-Only Home Price Index	286	283	1.1%	5.5%	4.7%
Total Business Bankruptcy Filings	9	15	-40.0%	-10.0%	-5.6%
Chapter 7	5	5	-	25.0%	-12.9%
Chapter 11	2	3	-33.3%	-	14.9%
Chapter 13	-	3	-	-100.0%	-100.0%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4/17); South Dakota Department of Revenue (NSA) (3/18); South Dakota Department of Labor and Regulation (SA) (Q3/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (3/26/18); Bureau of Labor Statistics, CES (SA) (2/18); US Department of Labor, Employment and Training Administration (NSA) (3/31/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/18); FHFA Purchase-Only Home Price Index (SA) (Q4/17); Administrative Office of the US Courts (Q4/17). *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 appear to be stabilizing from their downward trend. Most indicators are showing a continued upwards trend for the U.S. economy. The only apparent downside of the current economy seems to be rooted in two forms of volatility, political unrest and interest rates. While most economists are expecting three Fed interest rate increases in 2018, the notes from the most recent FOMC meeting seem to hint toward a possibility of four. The Federal Reserve Bank increases interest rates to stem inflation. Wages, housing and energy inflation continue to drive the potential for the four anticipated increases in 2018. President Trump’s prolonged threats of trade tariffs with the EU and China, and their corresponding threats of retaliation,

their corresponding threats of retaliation, have also contributed to wild daily swings in stock prices. The fundamentals of the economy are strong, and corporate earnings reflect that fact. What sometimes is more interesting, is what people are not talking about. One of the more interesting items not being talked about is quantitative easing. Quantitative easing was a Fed policy during the Great Recession, which effectively flooded additional dollars into the economy and expanded the Federal Reserve’s balance sheet. The Fed has been working to “unwind” quantitative easing by reducing its level of bonds it purchased; in other words, quantitative tightening. The net effect is that beyond the increase in rates, quantitative tightening will presumably further slow the fast-growing economy.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	16,658	16,452	1.3%	3.9%	3.1%
Retail Sales, 12 mo. trailing (billions of dollars)	5,793.6	5,703.7	1.6%	4.4%	3.6%
S&P 500	2,610.1	2,713.1	-3.8%	10.9%	10.5%
Business Outlays					
Average Weekly Wage per Employee	1,021	1,020	0.1%	-0.6%	2.4%
Consumer Price Index	249.6	247.6	0.8%	2.1%	1.4%
Core Inflation (All Items Less Food & Energy)	255.8	253.7	0.8%	1.8%	1.9%
Shelter	303.7	301.4	0.8%	3.1%	3.1%
Retail Gasoline Price (dollars per gallon)	2.82	2.64	6.8%	14.0%	-5.4%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	17,287	17,164	0.7%	2.6%	2.4%
Employment (in thousands)	148,230	147,241	0.7%	1.5%	1.8%
Unemployment Rate	4.1%	4.1%	0.0%	-0.6%	-3.6%
Initial Jobless Claims	226,000	225,000	0.4%	-8.5%	-13.9%
Continuing Jobless Claims	1,836,000	1,936,000	-5.2%	-0.8%	-17.3%
Building Permits, Number of Units, 12 mo. trailing	1,280,145	1,263,518	1.3%	6.5%	8.6%
Valuation (millions of dollars), 12 mo. trailing	259,022	253,947	2.0%	9.9%	12.2%
FHFA Home Price Index	252.7	248.7	1.6%	6.5%	6.1%
Rotary Rig Count	1,003.0	929.0	8.0%	19.5%	-10.4%
Total Business Bankruptcy Filings	5,727	5,290	8.3%	1.1%	-9.1%
Chapter 7	3,457	3,302	4.7%	-6.5%	-11.3%
Chapter 11	1,668	1,348	23.7%	29.6%	-4.8%
Chapter 13	477	505	-5.5%	-8.1%	-7.5%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q4/17); US Census Bureau (NSA) (12/17); Yahoo Finance (3/22/18); Bureau of Labor Statistics, QCEW (NSA) (Q3/17); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (2/18); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (3/19/18); Bureau of Economic Analysis (SA) (Q4/17); Bureau of Labor Statistics, CES (SA) (2/18); US Department of Labor, Employment and Training Administration (SA) (3/3/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/18); FHFA Purchase-Only Home Price Index (SA) (Q4/17); Baker-Hughes (12/29/17), Administrative Office of the US Courts (Q4/17). *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.