



First 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



Q2 2016 vs. Q1 2016



Q2 2016 vs. Q2 2015



Q3 2016 vs. Q2 2016

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

South Dakota continues to show strength

South Dakota's New Business Filings improved versus the 4th quarter in 2015, as well as versus the prior years first quarter results. The unemployment rate continued its 2015 downward trend for the quarter. Although wages showed improvement, total sales and personal income fell slightly versus the prior quarter. Overall, South Dakota's economy has proven itself able to withstand continuing weakness in crop prices without feeling major pinches in employment and sales.

The Story of the Quarter was the big dip the stock market took welcoming in the New Year. The Dow Jones Industrial Average started the year by falling over 9.5% before rebounding to close the quarter with a small gain. As of the March meeting, the Federal Reserve's rate path has become noticeably less aggressive than in the December meeting, with the seventeen members' median prediction that fed funds rates will remain under 1% as of the end of 2016. The previous prediction was 1.25% and 1.5% at the December meeting. Although many analysts began discounting the Federal Reserve's rate path as a reliable tool, indications based on that median number would seem to indicate that the numerous increases during 2016 is very unlikely.

China continued to dominate headlines internationally. Large international investments in the Chinese markets and currency have proven a bit unstable and sometimes dependent on the whim of the intervention level that the Chinese government chooses to take. OPEC began earnest discussions on decreasing production with the hope of curtailing crude's 14-year low that it hit in January. Talks appeared at first to stabilize prices, but, were quickly followed by a breakdown of any consensus. The "discussions of the discussions," however, appear to have at least partially stabilized prices despite ever-growing crude inventory levels. Many oil companies have begun to cut back production on older wells and will continue to find ways to operate as efficiently as possible. As rig counts decline, demand for gasoline continues to rapidly climb, and OPEC discussions continue, it really appears that prices may have hit their bottom and will grow through 2016.

WTI Crude Oil Price/ Barrel



Source: CME Group

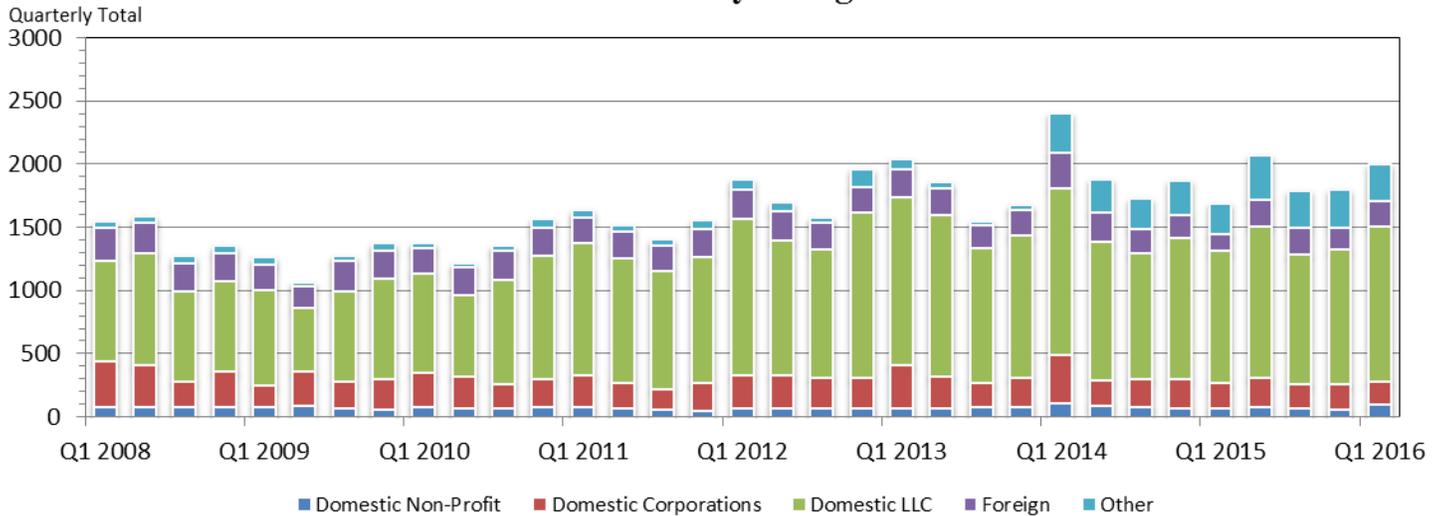
Secretary's Minute



Today's business climate moves rapidly, which is why we are taking customer service in the Secretary of State's Business Services Division to the next level. Starting in October 2016, our new software upgrade will bring the technology of the division into the 21st century and allow a business to be organized online within 24-48 hours rather than only by mail. The number of business filings processed by the office has increased from 54,000 in 2008 to 154,000 in 2015. The Secretary of State's office is most likely the first government agency that a new business will come in contact with, which is why it is crucial that the experience of creating a business entity in South Dakota be as straightforward, efficient, and responsive as possible.

Shantal Krebs

New Entity Filings



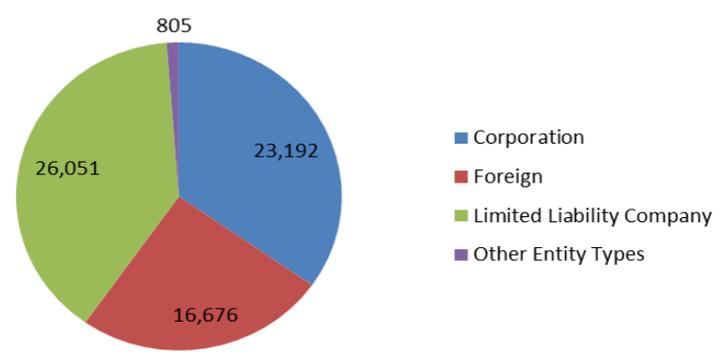
	Q1 2016	Q4 2015	Q1 2015	Percent Change over Prior Year	5 Year CAGR*
New Entity Filings					
Domestic Limited Liability Company	1,233	1,068	1,040	18.6%	6.9%
Domestic Nonprofit Corporation	93	61	65	43.1%	5.0%
Domestic Business Corporation	184	196	205	-10.2%	-3.7%
Other Entity Types	490	476	560	-12.5%	1.2%
Total New Entity Filings	2,000	1,801	1,870	7.0%	4.0%
Total New Entity Filings-12 mo. trailing	7,655	7,341	7,166	6.8%	5.7%
Other Business Filings					
Trademarks	111	135	99	12.1%	-3.8%
Trademarks-12 mo. trailing	449	437	397	13.1%	-2.7%
Fictitious Business Names (DBA)	1,114	861	981	13.6%	1.1%
Fictitious Business Names (DBA)-12 mo. trailing	3,860	3,727	3,692	4.6%	2.7%

* Compound Annual Growth Rate

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

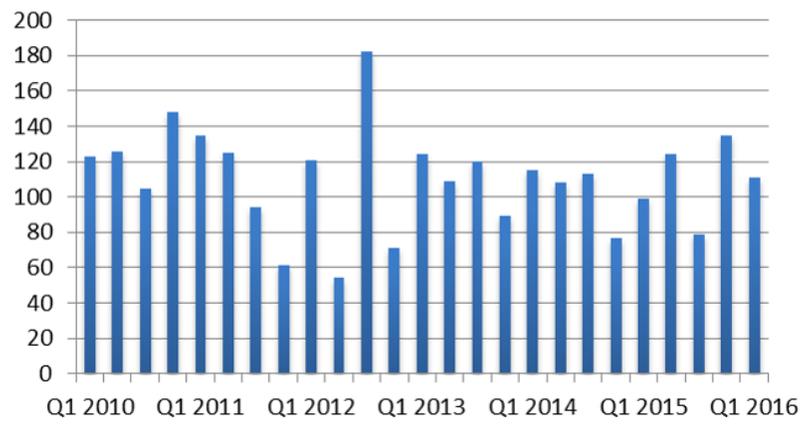
Limited Liability Companies make up 39% of entities in good standing. An entity must file paperwork each year to ensure they remain in good standing. At the end of Q1 2016, 66,724 entities were in good standing with the Secretary of State's office.

Entities in Good Standing



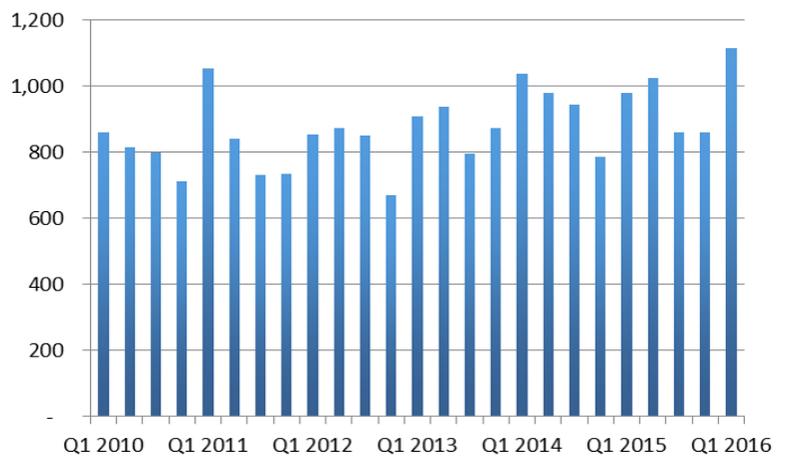
Trademark filings decreased in Q1 2016. Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 111 in Q1 2016, a 17.8% decrease over the prior quarter. Trademark filings for the 12 months ending Q1 2016 totaled 449, which was 13.1% higher than the previous year's number.

Trademark Filings

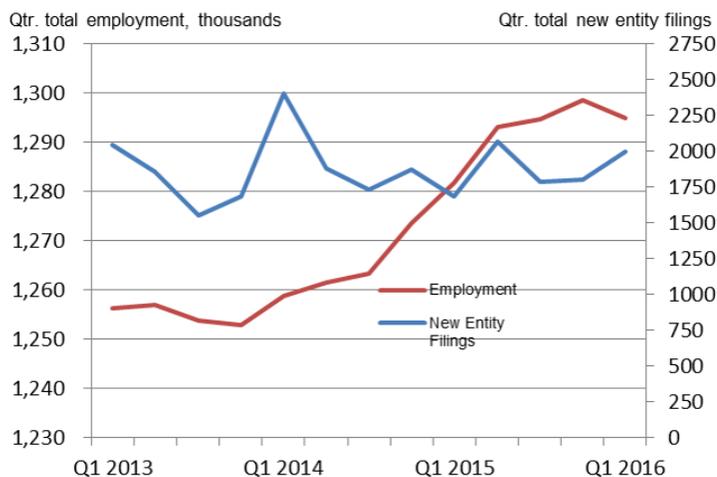


Fictitious Business Name (DBA) filings hit an all time high in Q1 2016. Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 1,114 fictitious business name filings in Q1 2016, an increase of 29.4% over the prior quarter. Fictitious business name filings for the 12 months ending Q1 2016 totaled 3,860 which was 4.6% 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

South Dakota Economic Indicators

South Dakota claimed the best unemployment rate in the nation in the first quarter of 2016, overtaking its oil-producing neighbor to the north by sixth tenths of a percent, according to the latest modifications to the Bureau of Labor Statistics rankings. Its rate fell to 2.5% in the first quarter, down from 2.9% in the final quarter of 2015, a 21.9% improvement from the same quarter in 2015. Although crop prices have continued to lag, South Dakota's economy continues to march on slowly but surely. Annual wages appeared to have turned a corner, showing improvement of 2.2% from the prior quarter and a 3.1% improvement from the prior year. In addition, building permit valuations showed slight growth both compared to the prior quarter and prior year. These two components are an important part of the overall recovery of not only South Dakota, but also for the economy as a whole. Post the 2008 financial crisis, wages and

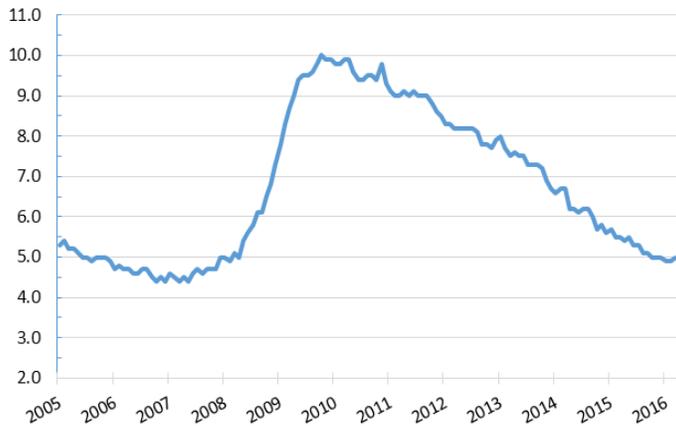
valuations on new construction continued to lag despite growth in stock market indexes. As these two important statistics grow, coupled with the potential for increasing crude oil (and resultant increases to gasoline prices), one can expect inflation to be also on the horizon. Certainly, if the Feds were reviewing the South Dakota economy in a silo, it would likely conclude on a more aggressive outlook on rates.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	38,095	38,845	-1.9%	-2.3%	2.6%
Total Sales, 12 mo. trailing (millions of dollars)	67,692	68,314	-0.9%	-2.0%	3.3%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,057	21,020	0.2%	2.7%	3.9%
Business Outlays					
Annual Wages per Employee	9,828	9,620	2.2%	3.1%	2.8%
Retail Gasoline Price (dollars per gallon)	2.07	1.96	5.6%	-15.2%	-6.1%
Economic Overview					
Employment	432,300	431,200	0.3%	1.0%	1.3%
Unemployment Rate	2.5%	2.9%	-13.8%	-21.9%	-12.9%
Initial Jobless Claims	166	415	-60.0%	-16.2%	-13.0%
Continuing Jobless Claims	2,770	2,893	-4.3%	-5.6%	-12.7%
Building Permits, Number of Units, 12 mo. trailing	4,582	4,501	1.8%	-7.3%	8.9%
Valuation (thousands of dollars), 12 mo. trailing	690,223	673,333	2.5%	-6.2%	9.7%
FHFA Purchase-Only Home Price Index	262	258	1.6%	4.0%	3.9%
Total Business Bankruptcy Filings	10	13	-23.1%	-23.1%	-12.9%
Chapter 7	8	3	166.7%	-27.3%	-14.0%
Chapter 11	-	5	-	-	0.0%
Chapter 13	2	3	-33.3%	0.0%	-7.8%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4/15); South Dakota Department of Revenue (NSA) (3/16); South Dakota Department of Labor and Regulation (SA) (Q3/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (4/4/16); Bureau of Labor Statistics, CES (SA) (3/16); US Department of Labor, Employment and Training Administration (NSA) (3/26/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/16); FHFA Purchase-Only Home Price Index (SA) (Q4/15); Administrative Office of the US Courts (Q4/15). *Compound Annual Growth Rate.

National Economic Indicators

National Unemployment Rate



Source: Bureau of Labor Statistics

Nationally, the economy as a whole improved in virtually every category versus the prior year and prior quarter. Although the unemployment rate remained flat versus the prior quarter, it fell by half of one percent versus the prior year. Nationally, wages and personal income continue to improve, but 2016 is the year in which employers will start to feel the economic pinch of the Affordable Care Act. That, coupled with many state and municipalities moving to increase minimum wage levels may serve to affect the unemployment rate during the year. Some economists argue that the government’s attempts to care for employees without letting the market determine wages will result in increases in unemployment. One can’t avoid the other big headline of 2016, the U.S. presidential election. What has been interesting in this election year, however, is that it appears Congress has abandoned the appropriation-approval brinkmanship that resulted in the government being shut down a few years ago. No matter what side of the aisle one leans to, you can’t ignore the impact that shutdowns have had on spending.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	15,561	15,468	0.6%	4.0%	4.2%
Retail Sales, 12 mo. trailing (billions of dollars)	5,325.8	5,297.6	0.5%	2.0%	4.3%
S&P 500	2,045.2	2,016.7	1.4%	-1.5%	8.9%
Business Outlays					
Annual Wages per Employee	52,313	52,005	0.6%	2.8%	3.1%
Consumer Price Index	237.7	238.0	-0.1%	0.8%	1.3%
Energy	177.1	199.2	-11.1%	-12.7%	-5.3%
Transportation Services	296.4	293.5	1.0%	2.7%	2.2%
Retail Gasoline Price (dollars per gallon)	1.99	2.14	-6.6%	-20.2%	-11.8%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	16,471	16,414	0.3%	2.0%	2.0%
Employment (in thousands)	143,774	143,146	0.4%	2.0%	1.8%
Unemployment Rate	5.0%	5.0%	0.0%	-0.5%	-4.0%
Initial Jobless Claims	259,000	275,000	-5.8%	-9.8%	-8.5%
Continuing Jobless Claims	2,180,000	2,195,000	-0.7%	-8.3%	10.4%
Building Permits, Number of Units, 12 mo. trailing	1,189,659	1,165,777	2.0%	13.2%	15.1%
Valuation (millions of dollars), 12 mo. trailing	224,130	218,238	2.7%	15.4%	17.6%
FHFA Home Price Index	225.5	222.2	1.4%	5.8%	4.2%
Total Business Bankruptcy Filings	5,973	6,338	-5.8%	-4.0%	-14.4%
Chapter 7	3,840	3,973	-3.3%	-12.3%	-15.9%
Chapter 11	1,423	1,724	-17.5%	14.9%	-11.9%
Chapter 13	582	525	10.9%	14.1%	-10.1%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4/15); US Census Bureau (NSA) (1/16); Yahoo Finance (4/5/16); Bureau of Labor Statistics, QCEW (NSA) (Q3/15); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (2/16); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (4/4/16); Bureau of Economic Analysis (SA) (Q4/15); Bureau of Labor Statistics, CES (SA) (3/16); US Department of Labor, Employment and Training Administration (SA) (3/12/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/16); FHFA Purchase-Only Home Price Index (SA) (Q4/15); Administrative Office of the US Courts (Q4/15). *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.