



Second 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



Q3 2016 vs. Q2 2016



Q3 2016 vs. Q3 2015



Q4 2016 vs. Q3 2016

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

South Dakota continues to show strength

Most of South Dakota's economic indicators showed positive improvement in the 2nd quarter of 2016. South Dakota had the lowest unemployment rate, 2.5%, for the 2nd quarter in a row. Total Sales in South Dakota improved slightly over the prior quarter, and average weekly wage per employee jumped by over 10% from the prior quarter. Although total new entity filings was slightly down in the 2nd quarter, the 12 month trailing new entity filings were up by over 2% from the prior year.

The Story of the Quarter was one word Brexit, the term used to describe Great Britain's referendum to exit the European Union. Up until the surprise outcome of this vote, the Dow Jones Industrial Average had posted modest gains through the second quarter. The June 23rd vote immediately plunged markets on world-wide recession fears, but most markets, including the American exchanges, had recovered almost all of the losses by the end of the quarter. According to most analysts, Brexit also ensures that the Fed would at most move rates only once during 2016. Crude Oil took second stage to reporting on the Brexit, despite recovering almost 30% from its lows during the quarter. The American economy has seemed to absorb the job losses resultant from the reductions in new production drilling.

Overall, economies around the world seem to be stabilizing, and absorbing changes in estimates and news, whether they be crude oil, labor markets, interest rate changes, or even the Brexit. The economy seems to be healing since the Great Recession ended, almost 8 years ago. Despite all of the "good" reports that have repeatedly occurred over the past two years, pundits continue to argue for deep concern, rooted in the fact that despite the "historic" printing of money by reserve banks around the world, economies have only responded in mediocre ways. Some respected investment philosophers preach to be wary about investing while others are euphoric.

WTI Crude Oil Price/ Barrel



Source: CME Group

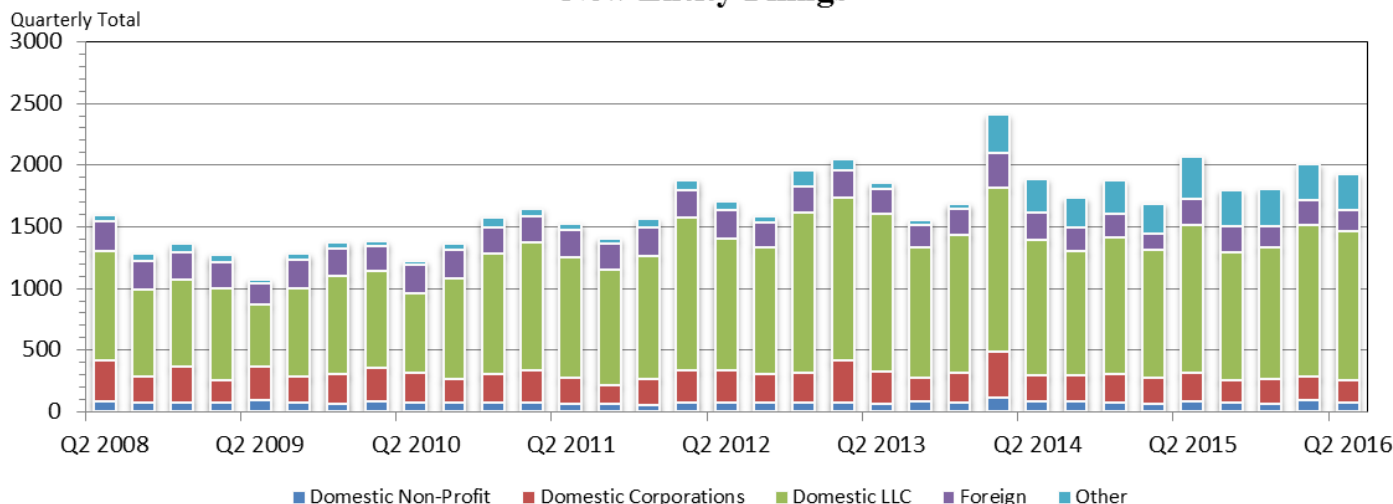
Secretary's Minute



Our office is working to prepare the new online business entity filing system. We hope to have this web-based system up and running by the middle of October. Once implemented, businesses will be able to file their documents and receive their necessary paperwork immediately upon completion of the transaction. The search capabilities will also be more user-friendly. The Secretary of State's office is the first government agency that a business interacts with when forming.

Shantal Krebs

New Entity Filings



	Q2 2016	Q1 2016	Q2 2015	Percent Change over Prior Year	5 Year CAGR*
New Entity Filings					
Domestic Limited Liability Company	1,202	1,233	1,197	0.4%	4.1%
Domestic Nonprofit Corporation	69	93	78	-11.5%	2.2%
Domestic Business Corporation	185	184	231	-19.9%	-2.0%
Other Entity Types	465	490	559	-16.8%	11.7%
Total New Entity Filings	1,921	2,000	2,065	-7.0%	4.8%
Total New Entity Filings-12 mo. trailing	7,511	7,655	7,349	2.2%	4.3%
Other Business Filings					
Trademarks	78	111	124	-37.1%	-9.0%
Trademarks-12 mo. trailing	403	449	413	-2.4%	-4.7%
Fictitious Business Names (DBA)	984	1,114	1,026	-4.1%	3.2%
Fictitious Business Names (DBA)-12 mo. trailing	3,818	3,860	3,737	2.2%	2.3%

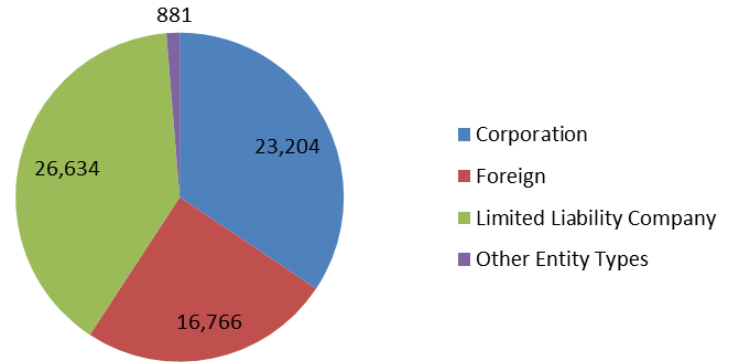
* Compound Annual Growth Rate

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 Q2 2016, 67,485 entities were in good standing with the Secretary of State's office.

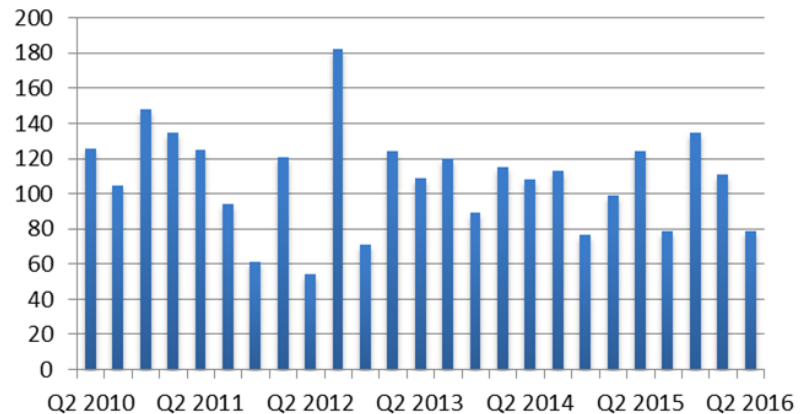
Entities in Good Standing



Trademark filings decreased in Q2 2016.

Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 78 in Q2 2016, a 29.7% decrease over the prior quarter. Trademark filings for the 12 months ending Q2 2016 totaled 403, which was a decrease of 2.4% from the previous year's number.

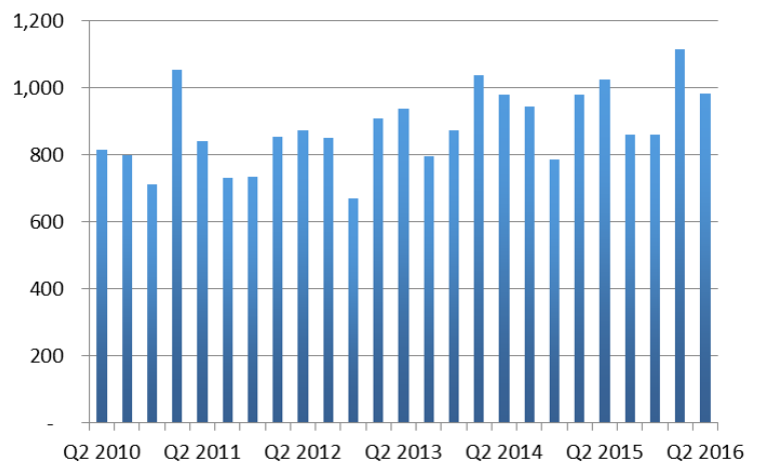
Trademark Filings



Fictitious Business Name (DBA) filings decreased in Q2 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 984 fictitious business name filings in Q2 2016, a decrease of 11.7% over the prior quarter. Fictitious business name filings for the 12 months ending Q2 2016 totaled 3,818 which was 2.2% higher than the previous year's number.

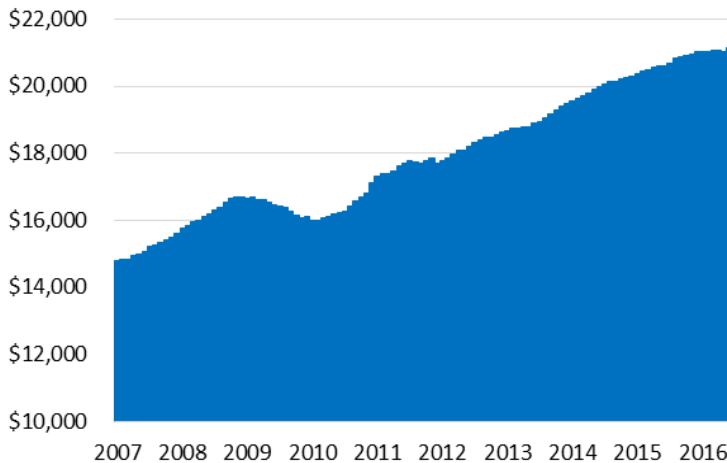
Fictitious Business Name (DBA) Filings



South Dakota Economic Indicators

South Dakota Taxable Sales

12-Month Rolling Sum, in millions



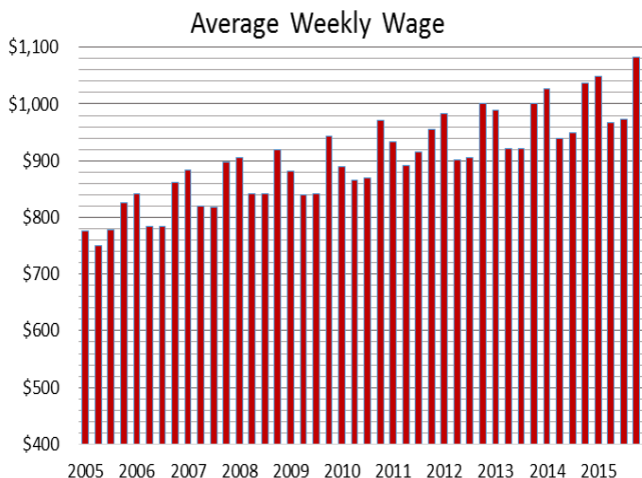
Source: South Dakota Department of Revenue

For the 2nd quarter in a row, South Dakota claimed the nation's best unemployment rate. North Dakota fell to 4th, Nebraska moved to third, Minnesota came in at 11th and Wyoming at 39th. Although initial jobless claims were up in the 2nd quarter by 32.5%, they were down over the prior year by 2.7%, and the continuing jobless claims were down 47.8%. Total sales were up slightly in the 2nd quarter and we hope to see that continue to improve during the third quarter with the heavy tourism season upon us. South Dakota has a very well rounded economy that includes agriculture, tourism, manufacturing and banking to name a few. We are less prone to wide swings in economic moves due to what would appear to be a more prudent and stable approach to save when times are good. This approach to saving is an important part of the overall recovery of not only South Dakota, but also for the economy as a whole. Wages and real income grew in South Dakota in the second quarter, which are both important components of continuing economic prosperity.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	39,254	38,095	3.0%	3.2%	1.8%
Total Sales, 12 mo. trailing (millions of dollars)	67,703	67,692	0.02%	-1.2%	3.1%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,148	21,057	0.4%	2.7%	3.6%
Business Outlays					
Average Weekly Wage per Employee	832	756	10.1%	5.2%	3.1%
Retail Gasoline Price (dollars per gallon)	2.38	2.07	15.0%	-15.3%	-7.6%
Economic Overview					
Employment	433,900	432,300	0.4%	1.3%	1.3%
Unemployment Rate	2.5%	2.5%	0.0%	-21.9%	-12.2%
Initial Jobless Claims	220	166	32.5%	-2.7%	-6.7%
Continuing Jobless Claims	1,445	2,770	-47.8%	-0.1%	-11.5%
Building Permits, Number of Units, 12 mo. trailing	5,049	4,582	10.2%	14.4%	13.2%
Valuation (thousands of dollars), 12 mo. trailing	765,474	690,223	10.9%	15.6%	13.5%
FHFA Purchase-Only Home Price Index	264	262	0.8%	5.6%	3.9%
Total Business Bankruptcy Filings	4	10	-60.0%	-63.6%	-25.1%
Chapter 7	2	8	-75.0%	-50.0%	-30.1%
Chapter 11	-	-	-	-100.0%	0.0%
Chapter 13	-	2	-100.0%	-100.0%	-100.0%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q1'16); South Dakota Department of Revenue (NSA) (6/16); South Dakota Department of Labor and Regulation (SA) (Q4/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (6/27/16); Bureau of Labor Statistics, CES (SA) (5/16); US Department of Labor, Employment and Training Administration (NSA) (6/25/16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/16); FHFA Purchase-Only Home Price Index (SA) (Q1'16); Administrative Office of the US Courts (Q1'16). *Compound Annual Growth Rate.

National Economic Indicators



Source: Bureau of Labor Statistics

Nationally, the economy was up where we would want to be up, and down where we would want to be down. Probably one of the more important statistics of the quarter was average weekly wage per employee, which was up 11.1% versus the prior quarter, and up 4.4% versus the prior year. If thought of simply, when this statistic improves, there are likely more jobs than employees available, and the employees are able to command higher wages. Through economic cycles, this typically is a leading indicator of job growth. However, as we've discussed in prior reports, this also could be a symptom of a transformation in the labor force. As one looks deeper into the statistics, the actual employment numbers (jobs themselves) essentially grew only by .3% over the prior quarter and 1.7% over the prior year. This would seem to indicate that employers may very well just be paying their employees more to do more work rather than create new jobs. Why? Some argue it is an effect of employer's response to the Affordable Care Act (ACA). The real effect of the ACA will not be known to the job market until the penalties are actually levied on employers, which some argue that may not come until after the November election.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	15,733	15,561	1.1%	1.8%	3.8%
Retail Sales, 12 mo. trailing (billions of dollars)	5,397.7	5,325.8	1.4%	2.4%	4.0%
S&P 500	2,098.9	2,045.2	2.6%	1.7%	9.7%
Business Outlays					
Average Weekly Wage per Employee	1,082	974	11.1%	4.4%	2.2%
Consumer Price Index	239.9	237.7	0.9%	1.1%	1.3%
Energy	189.8	177.1	7.2%	-9.2%	-5.0%
Transportation Services	300.8	296.4	1.5%	3.0%	2.4%
Retail Gasoline Price (dollars per gallon)	2.43	1.99	22.1%	-15.9%	-7.7%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	16,515	16,471	0.3%	2.1%	-
Employment (in thousands)	144,175	143,774	0.3%	1.7%	1.8%
Unemployment Rate	4.9%	5.0%	-2.0%	-7.5%	-11.6%
Initial Jobless Claims	258,000	259,000	-0.4%	-7.9%	-9.3%
Continuing Jobless Claims	2,167,000	2,180,000	-0.6%	-5.9%	-10.2%
Building Permits, Number of Units, 12 mo. trailing	1,187,000	1,189,659	-0.2%	8.7%	15.4%
Valuation (millions of dollars), 12 mo. trailing	224,940	224,130	0.4%	12.4%	18.0%
FHFA Home Price Index	228.2	225.5	1.2%	5.6%	4.9%
Total Business Bankruptcy Filings	6,227	5,973	4.3%	1.1%	-12.8%
Chapter 7	3,885	3,840	1.2%	-2.5%	-14.7%
Chapter 11	1,596	1,423	12.2%	6.7%	-9.3%
Chapter 13	578	582	-0.7%	3.6%	-9.4%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q1'16); US Census Bureau (NSA) (Q2'16); Yahoo Finance (6/30'16); Bureau of Labor Statistics, QCEW (NSA) (Q4'16); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (Q2'16); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (6/27'16); Bureau of Economic Analysis (SA) (Q1'16); Bureau of Labor Statistics, CES (SA) (6'16); US Department of Labor, Employment and Training Administration (SA) (6'18'16); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5'16); FHFA Purchase-Only Home Price Index (SA) (Q1'16); Administrative Office of the US Courts (Q1'16). *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.