



SOUTH DAKOTA
SECRETARY OF STATE
 SHANTEL KREBS

South Dakota Secretary of State Q3 BUSINESS & ECONOMIC DATA ANALYSIS SUMMARY

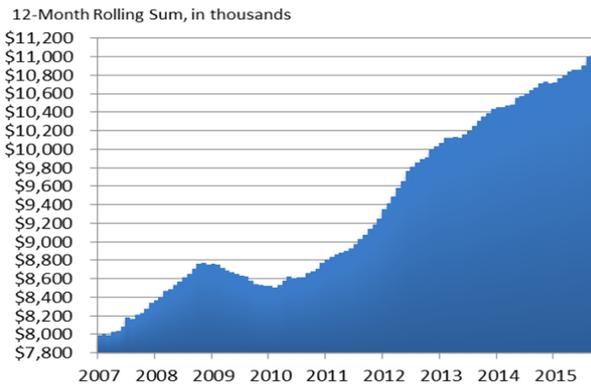
In partnership with the
 Secretary of State



Third Quarter 2015

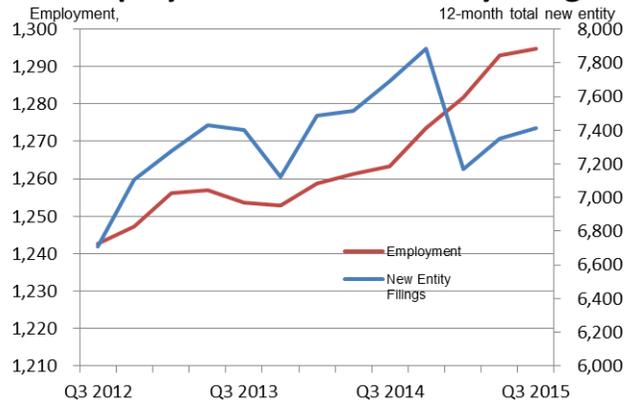
Secretary's Minute: By running efficiently, operating like a business, and meeting statutory compliance, we were able to generate an additional \$1.5 million for a total of nearly \$7.5 million turned over to the state's general fund. A 25% increase in revenue. The Secretary of State is most likely the first government institution that a new business will come in contact with. It is my belief that first experience with government in South Dakota will shape the impression of South Dakota's entire business climate, which is why it is so important for us to work together to ensure South Dakota offers a first-rate experience for everyone in the business and lending community.

South Dakota Taxable Sales



Source: South Dakota Department of Revenue

Employment and New Entity 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.

Third Quarter 2015 Economic Highlights

- Trade name and Trademark filings slipped in Q3.
- SD unemployment rate is ranked the 5th lowest in the U.S. at 3.5%, a decrease of 7.9% over Q2 2015.
- Most national economic indicators improved in Q3.
- Building permits were up by 3.1% in Q3.
- Employment growth has continued in Q3.
- Building permits were up by 3.1% in Q3.
- Although retail sales slightly dropped in Q3, taxable sales grew by 1.4% in Q3.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	38,414	39,518	-2.8%	-1.3%	3.4%
Retail Sales, 12 mo. trailing (millions of dollars)	27,451	27,511	-0.2%	6.2%	4.6%
Taxable Sales, 12 mo. trailing (millions of dollars)	11,014	10,864	1.4%	3.3%	4.9%
Business Outlays					
Annual Wages per Employee	9,919	10,283	-3.5%	3.0%	3.8%
Retail Gasoline Price (dollars per gallon)	2.38	2.74	-13.1%	-23.0%	-3.5%
Economic Overview					
Employment (in thousands)	431,600	431,000	0.1%	1.8%	1.3%
Unemployment Rate	3.5%	3.8%	-7.9%	6.1%	-6.5%
Initial Jobless Claims	174	226	-23.0%	-2.8%	-12.8%
Continuing Jobless Claims	1,021	1,447	-29.4%	-2.8%	-17.3%
Building Permits, Number of Units, 12 mo. trailing	4,510	4,374	3.1%	-9.2%	5.9%
Valuation (thousands of dollars), 12 mo. trailing	667,678	662,139	0.8%	-10.4%	8.1%
FHFA Purchase-Only Home Price Index	256	251	2.0%	3.2%	3.0%
Total Business Bankruptcy Filings	10	11	-9.1%	0.0%	-16.1%
Chapter 7	7	4	75.0%	0.0%	-15.2%
Chapter 11	-	1	-100.0%	-100.0%	-100.0%
Chapter 13	2	4	-50.0%	100.0%	-12.9%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q2/15); South Dakota Department of Revenue (NSA) (8/15); South Dakota Department of Labor and Regulation (SA) (Q1/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (10/19/15); Bureau of Labor Statistics, CES (SA) (8/15); US Department of Labor, Employment and Training Administration (NSA) (9/27/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/15); FHFA Purchase-Only Home Price Index (SA) (Q2/15); Administrative Office of the US Courts (Q2/15). *Compound Annual Growth Rate.



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Third Quarter 2015

PUBLISHED BY NORTHERN STATE UNIVERSITY SCHOOL OF BUSINESS

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



Q4 2015 vs. Q3 2015



Q4 2015 vs. Q4 2014



Q1 2016 vs. Q1 2015

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Economy continues to grow

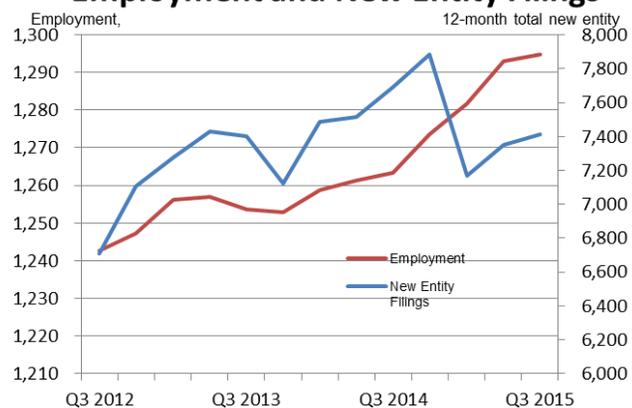
South Dakota New Business Filings improved versus 2014, but declined from the 2nd quarter. As noted in prior reports, employment trends are now outpacing business filings, which could indicate that either filings will experience sharper increases in coming quarters, or employment could begin to lag or flatten.

The Fed Surprises in September: The Fed surprised many by not increasing rates in September. There is much speculation as to the “why”, but only time will accurately assess the wisdom of the move. Many factors, including the potential to weaken U.S. exports, played into the decision. What was surprising about the non-move was that the U.S. economy, at the point of the decision, had met many of the numeric factors Yellen had indicated as musts in advance of a rate move. For some, this means there may be additional underlying concerns that have weighed into the decision, or, as some political pundits argue, a take-no-risks approach in advance of next year’s presidential

elections. Preliminary reads on GDP growth seem to indicate that the economy will experience a slight decrease in growth rates for the 3rd quarter.

Nationally, the economy continues to move at its gradual, ever-improving rate, with nothing moving alarmingly high nor low. However, as companies prepare for a furthered implementation of the ACA (Obamacare), as well as what is shaping into substantial increases in health care costs, there could be shocks throughout 2016. Employers are facing double-digit % increases in health care premiums in 2016. History tells us that when employers are faced with significant price or cost changes, they will exit the business or reduce costs through labor reductions. The impact of these changes are yet to be determined, but may impact 2016 growth.

Employment and New Entity 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



In addition to acting as South Dakota's chief elections supervisor, the Secretary of State also plays a critical role in the world of business. Upon taking office on January 2nd 2015 I discovered that the office was bottlenecking business and economic growth in South Dakota with slow turnaround time. It was taking over 5 weeks to process a business filing (state law says business filings must be accepted or rejected in 5 business days). I also discovered that the office was 80 days behind in processing Uniform Commercial Code (UCC) filings which are of paramount importance to the banking and lending industry (state law requires filings be processed in 2 business days). In the first nine months of my administration, I'm proud to report that we have reformed the way the office functions and are now current with business and UCC filings. Timely processing by our office allows businesses to form at a much faster pace. To give an example of the growth South Dakota has seen

in the world of business and the economic advantage to operating efficiently, the Secretary of State's office was projected to bring in \$5.9 million to the general fund in fiscal year 2015. By running efficiently, operating like a business, and meeting statutory compliance, we were able to generate an additional \$1.5 million for a total of nearly \$7.5 million turned over to the state's general fund. A 25% increase in revenue.

The Secretary of State is most likely the first government institution that a new business will come in contact with. It is my belief that first experience with government in South Dakota will shape the impression of South Dakota's entire business climate, which is why it is so important for us to work together to ensure South Dakota offers a first-rate experience for everyone in the business and lending community.

We hope you enjoy this report provided by Northern State University and the Secretary of State's office.

Sincerely

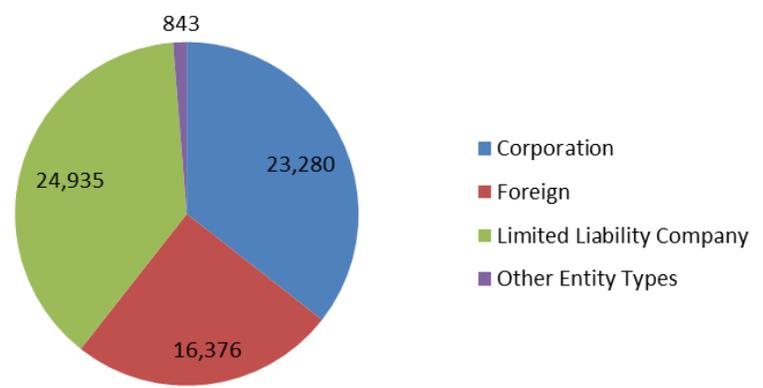
	Q3 2015	Q2 2015	Q3 2014	Percent Change over Prior Year		5 Year CAGR*	
New Entity Filings							
Domestic Limited Liability Company	1,031	1,197	1,001	3.0%	▲	4.7%	▲
Domestic Nonprofit Corporation	71	78	76	-6.6%	▼	1.2%	▲
Domestic Business Corporation	183	231	218	-16.1%	▼	-1.1%	▼
Other Entity Types	294	559	238	23.5%	▲	43.7%	▲
Total New Entity Filings	1,789	2,065	1,728	3.5%	▲	5.6%	▲
Total New Entity Filings-12 mo. trailing	7,410	7,349	7,694	-3.7%	▼	6.8%	▲
Other Business Filings							
Trademarks	79	124	113	-30.1%	▼	-5.5%	▼
Trademarks-12 mo. trailing	379	413	425	-10.8%	▼	-2.3%	▼
Trade Names	859	1,026	944	-9.0%	▼	1.5%	▲
Trade Names-12 mo. trailing	3,652	3,737	3,834	-4.7%	▼	3.3%	▲

* Compound Annual Growth Rate

Entities in Good Standing, Trademark & Trade Name Filings

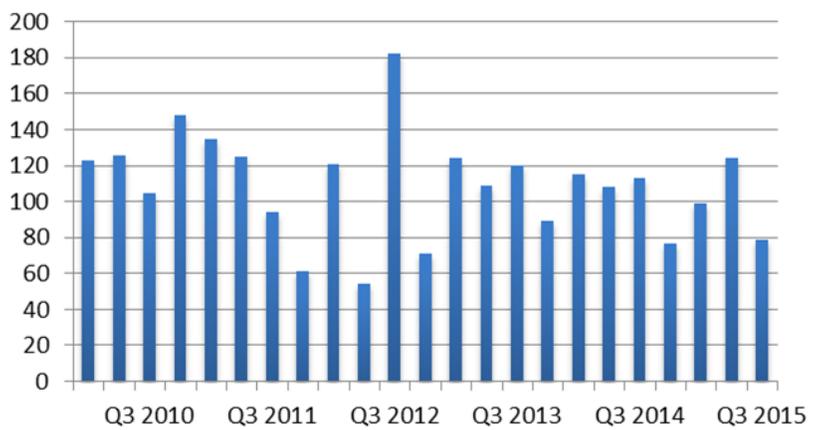
Limited Liability Companies make up 38% of entities in good standing. An entity must file paperwork each year to ensure they remain in good standing. At the end of Q3 2015, 65,434 entities were in good standing with the Secretary of State's office.

Entities in Good Standing



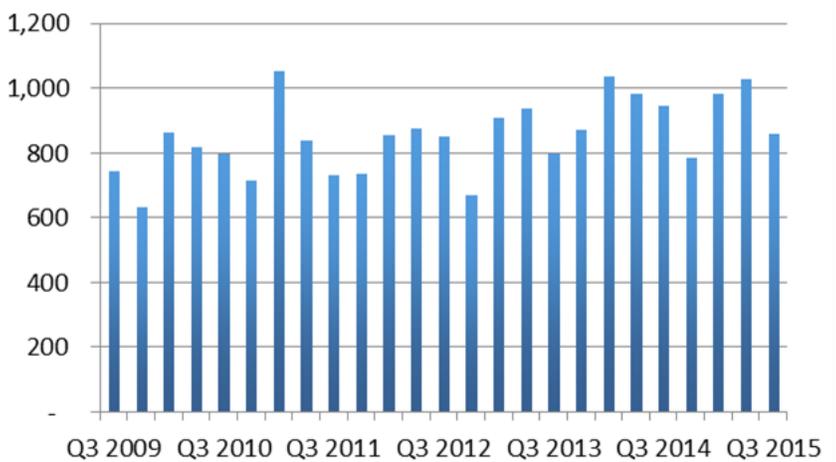
Trademark filings decreased in Q3 2015. Safeguarding the symbols and words that an entity employs in commerce, trademark filings numbered 79 in Q3 2015, a 57% decrease over the prior quarter. Trademark filings for the 12 months ending Q3 2015 totaled 379, which was 10.8% lower than the previous year's number.

Trademark Filings



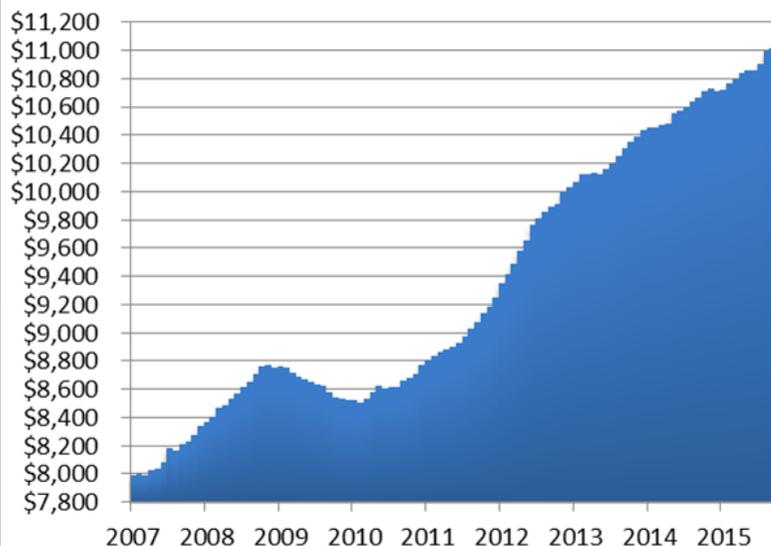
Trade name filings decreased in Q3 2015. Entities must file a statement of trade name when operating under any name other than their true name. The South Dakota Secretary of State received 859 trade name filings in Q3 2015, a decrease of 19% over the prior quarter. Trade name filings for the 12 months ending Q3 2015 totaled 3,652, which was 4.7% lower than the previous year's number.

Trade Name Filings



South Dakota Taxable Sales

12-Month Rolling Sum, in thousands



Source: South Dakota Department of Revenue

South Dakota Economic Indicators

South Dakota Employment Continues to Improve. According to the Bureau of Labor Statistics, job growth continued through Q3 2015. South Dakota showed growth of 1.8% year-over-year as of September 2015. South Dakota's unemployment, which was ranked the 5th lowest unemployment rate in the U.S., was 3.5% at the end of Q3 2015. The initial and continuing jobless claims showed improvement in Q3 2015. Initial jobless claims decreased by 23% over the prior quarter and continuing jobless claims decreased by 29% over the prior quarter. Although retail sales were slightly down over the prior quarter, -2%, taxable sales were up by 1.4% over the prior quarter. Based on the current trend increases versus prior year, South Dakota should experience a solid holiday shopping season.

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Wealth								
Personal Income (millions of dollars)	38,414	39,518	-2.8%	▼	-1.3%	▼	3.4%	▲
Retail Sales, 12 mo. trailing (millions of dollars)	27,451	27,511	-0.2%	▼	6.2%	▲	4.6%	▲
Taxable Sales, 12 mo. trailing (millions of dollars)	11,014	10,864	1.4%	▲	3.3%	▲	4.9%	▲
Business Outlays								
Annual Wages per Employee	9,919	10,283	-3.5%	▼	3.0%	▲	3.8%	▲
Retail Gasoline Price (dollars per gallon)	2.38	2.74	-13.1%	▼	-23.0%	▼	-3.5%	▼
Economic Overview								
Employment (in thousands)	431,600	431,000	0.1%	▲	1.8%	▲	1.3%	▲
Unemployment Rate	3.5%	3.8%	-7.9%	▼	6.1%	▲	-6.5%	▼
Initial Jobless Claims	174	226	-23.0%	▼	-2.8%	▼	-12.8%	▼
Continuing Jobless Claims	1,021	1,447	-29.4%	▼	-2.8%	▼	-17.3%	▼
Building Permits, Number of Units, 12 mo. trailing	4,510	4,374	3.1%	▲	-9.2%	▼	5.9%	▲
Valuation (thousands of dollars), 12 mo. trailing	667,678	662,139	0.8%	▲	-10.4%	▼	8.1%	▲
FHFA Purchase-Only Home Price Index	256	251	2.0%	▲	3.2%	▲	3.0%	▲
Total Business Bankruptcy Filings	10	11	-9.1%	▼	0.0%	-	-16.1%	▼
Chapter 7	7	4	75.0%	▲	0.0%	-	-15.2%	▼
Chapter 11	-	1	-100.0%	▼	-100.0%	▼	-100.0%	▼
Chapter 13	2	4	-50.0%	▼	100.0%	▲	-12.9%	▼

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q2/15); South Dakota Department of Revenue (NSA) (8/15); South Dakota Department of Labor and Regulation (SA) (Q1/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (10/19/15); Bureau of Labor Statistics, CES (SA) (8/15); US Department of Labor, Employment and Training Administration (NSA) (9/27/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/15); FHFA Purchase-Only Home Price Index (SA) (Q2/15); Administrative Office of the US Courts (Q2/15). *Compound Annual Growth Rate.

National Economic Indicators

WTI Crude Oil Price/ Barrel



Source: CME Group

National oil prices are at their lowest since 2009. West Texas Intermediate (WTI) futures oil prices were at \$44.63 in September, down from \$92.41 year-over-year and well below the five-year high of \$113.93. Oil prices have increased by 9.4% from the low in August this year, but remain well below last year's prices. Retail gasoline prices fell by 17.8% over the prior quarter to \$2.37 per gallon. This is a 25.9% decline over the prior year.

Personal income and annual wages per employee are both up year-over-year by 4.2% and 2.7%, respectively. Employment grew by .4% over the prior quarter and unemployment and initial and jobless claims dropped over the prior quarter. By -2%, 2.1%, and 5.1%, respectively. We expect this trend to continue as we go into the holiday season. The S&P 500 fell 3.8% in Q3, however continued to rise overall year-over-year with a 6.8% growth rate.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5 Year CAGR*	
Wealth								
Personal Income (billions of dollars)	15,219	15,080	0.9%	▲	4.2%	▲	4.2%	▲
Retail Sales, 12 mo. trailing (billions of dollars)	5,280.4	5,246.0	0.7%	▲	3.0%	▲	4.7%	▲
S&P 500	2,033.7	2,114.1	-3.8%	▼	6.8%	▲	11.8%	▲
Business Outlays								
Annual Wages per Employee	51,658	51,364	0.6%	▲	2.7%	▲	3.1%	▲
Consumer Price Index	237.6	237.8	-0.1%	▼	0.0%	-	1.7%	▲
Energy	198.7	212.7	-6.6%	▼	-18.5%	▼	-1.1%	▼
Transportation Services	291.2	292.3	-0.4%	▼	2.2%	▲	2.2%	▲
Retail Gasoline Price (dollars per gallon)	2.37	2.89	-17.8%	▼	-25.9%	▼	-3.8%	▼
Economic Overview								
Real Gross Domestic Output (billions of chained 2009 dollars)	16,334	16,177	1.0%	▲	2.7%	▲	2.1%	▲
Employment (in thousands)	142,371	141,842	0.4%	▲	2.0%	▲	1.8%	▲
Unemployment Rate	5.1%	5.3%	-0.2%	▼	-0.8%	▼	-4.4%	▼
Initial Jobless Claims	27,600	282,000	-2.1%	▼	-5.5%	▼	-9.7%	▼
Continuing Jobless Claims	2,209,000	2,327,000	-5.1%	▼	-8.1%	▼	-13.0%	▼
Building Permits, Number of Units, 12 mo. trailing	1,140,034	1,085,642	5.0%	▲	12.4%	▲	13.5%	▲
Valuation (millions of dollars), 12 mo. trailing	211,894	202,138	4.8%	▲	14.0%	▲	15.7%	▲
FHFA Home Price Index	219.5	216.7	1.3%	▲	5.2%	▲	3.1%	▲
Total Business Bankruptcy Filings	6,166	62	0.1%	▲	-15.3%	▼	-15.7%	▼
Chapter 7	4,054	3,986	1.7%	▲	-14.3%	▼	-17.0%	▼
Chapter 11	1,474	1,496	-1.5%	▼	-20.0%	▼	-12.4%	▼
Chapter 13	504	558	-9.7%	▼	-12.5%	▼	-14.0%	▼

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q1/15); US Census Bureau (NSA) (10/15); Yahoo Finance (10/19/15); Bureau of Labor Statistics, QCEW (NSA) (Q1/15); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (09/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/19/15); Bureau of Economic Analysis (SA) (Q2/15); Bureau of Labor Statistics, CES (SA) (09/15); US Department of Labor, Employment and Training Administration (SA) (09/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/15); FHFA Purchase-Only Home Price Index (SA) (Q2/15); Administrative Office of the US Courts (Q2/15).

*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.