



First Quarter 2017

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



Q2 2017 vs. Q1 2017



Q2 2017 vs. Q2 2016



Q3 2017 vs. Q2 2017

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

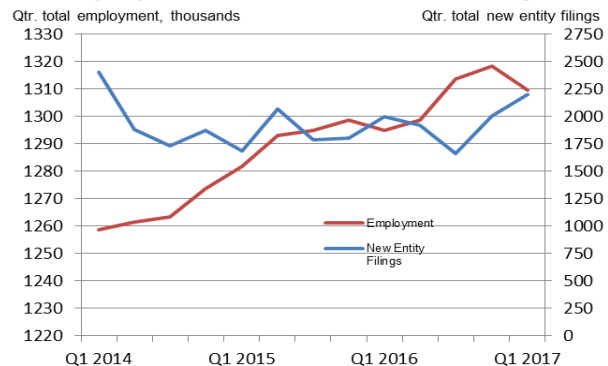
South Dakota's growth is slowing...

South Dakota's economy is healthy, but is starting to show declines. Business filings and registrations continued to show increases in the 1st Quarter of 2017. However, for the second consecutive quarter, South Dakota Taxable sales have declined, prompting state economists to revise forecasts. The continuing "price drought" of crop prices appear to be the primary culprit as the rest of the United States continues to grow at healthy rates. The state's unemployment rate increased from the prior quarter, dropping the state's ranking nationally from 1st to tied for 3rd.

Nationally, markets and consumers continued to show enthusiasm for the newly inaugurated President Trump. Market commentators have labeled the market moves the "Trump Trade"; the Dow Jones Industrial Index increased by 3.9% during the 1st Quarter ended March 31, 2017. The University of Michigan Consumer Sentiment Index improved to a twelve year high at the end of March. The positive enthusiasm is largely reflected in the economic indicators, of which virtually all are showing upticks from the prior quarter. With employment, GDP, and inflation targets being met, the Federal Reserve voted to move their benchmark rate up .25% to 1% at their March meeting.

Internationally, the world's economy appears to be trending the same course as the U.S. economy. France's upcoming election and Britain's finalization of its exit from the European Union are expected to have slight impacts to world markets. The price of crude oil has appeared to stabilize despite the decreases in production by OPEC, prompting U.S. producers to increase production. The U.S. rig count grew by over 25% versus the prior quarter. Global increases in production acreage and yields have served to support the continuing lag in crop prices. While President Trump appears to be open to discussion in Renewable Fuel Standards (RFS), which would do nothing but help South Dakota's economy, others inside his administration are opponents of RFS.

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.

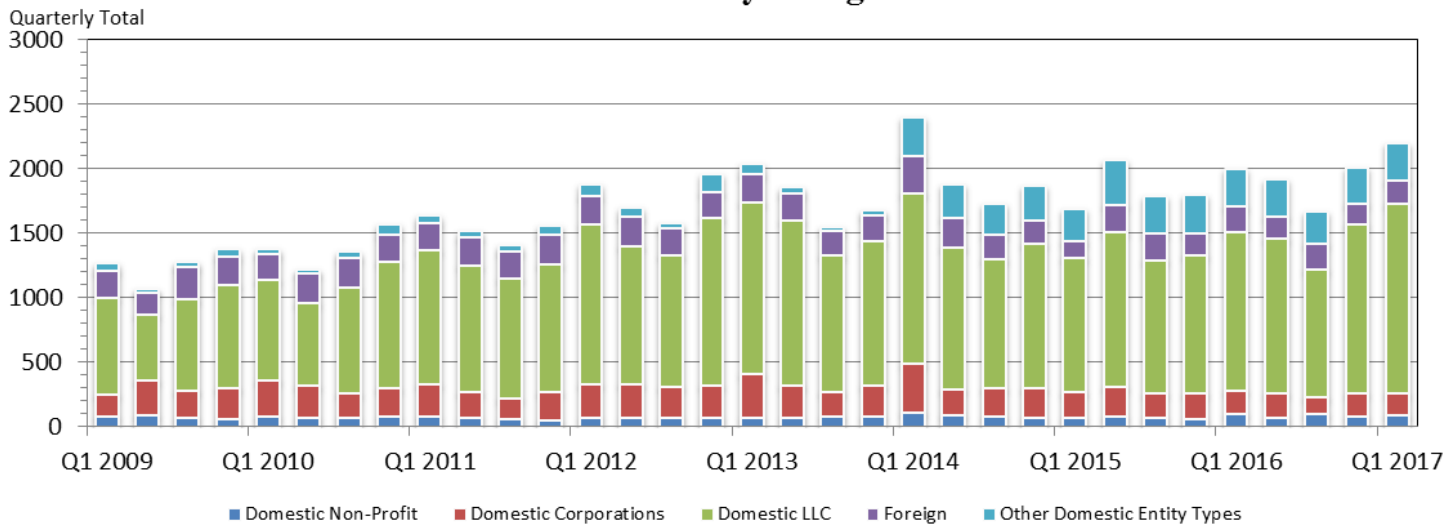
Secretary's Minute



Our office continues to strive to make our new online business filing system as user friendly as possible and to make additional services available to our customers online. By the time this report is issued, you will be able to file online Statements of Change of Registered Office or Registered Agent or Both and to Deposit into business Prepaid accounts via credit card online. Coming soon in another build phase will be Business Search by Registered Agent Name, Nonprofit Business Formations, Certified Copies, and Online deposits to UCC Prepaid accounts via credit card. Please check out our new online business system at www.sdsos.gov.

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	1,475	1,306	1,233	19.6%	3.5%
Domestic Nonprofit Corporation	88	79	93	-5.4%	5.6%
Domestic Business Corporation	166	179	184	-9.8%	-8.8%
Foreign Entity Types	181	164	199	-9.0%	-4.1%
Other Domestic Entity Types	289	278	291	-0.7%	28.7%
Total New Entity Filings	2,199	2,006	2,000	10.0%	3.2%
Total New Entity Filings-12 mo. trailing	7,791	7,592	7,655	1.8%	4.2%
Other Business Filings					
Trademarks	126	95	111	13.5%	0.8%
Trademarks-12 mo. trailing	404	389	449	-10.0%	0.1%
Fictitious Business Names (DBA)	1,131	1,103	1,114	1.5%	5.8%
Fictitious Business Names (DBA)-12 mo. trailing	4,150	4,133	3,860	7.5%	5.6%

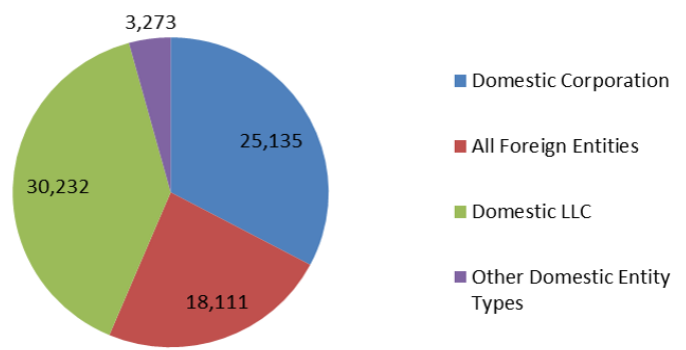
* Compound Annual Growth Rate

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

Domestic 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 2017, 76,751 entities were in Good Standing with the Secretary of State's office.

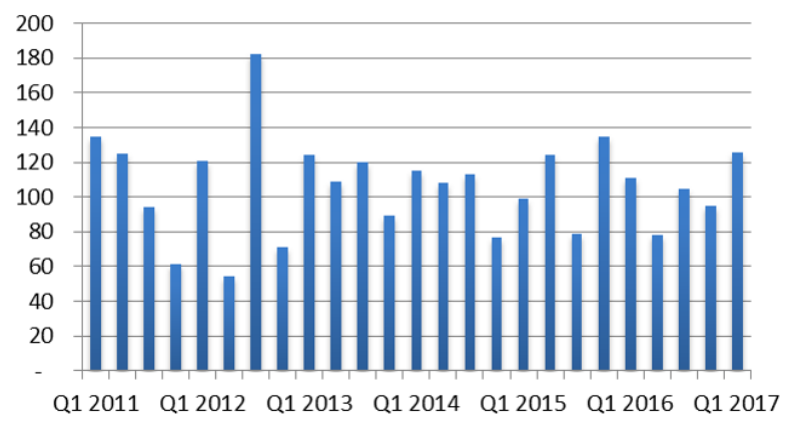
Entities in Good Standing



Trademark filings increased in Q1 2017.

Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 126 in Q1 2017, a 32.6% increase over the prior quarter. Trademark filings for the 12 months ending Q1 2017 totaled 404, which was a decrease of 10.0% from the previous year's number.

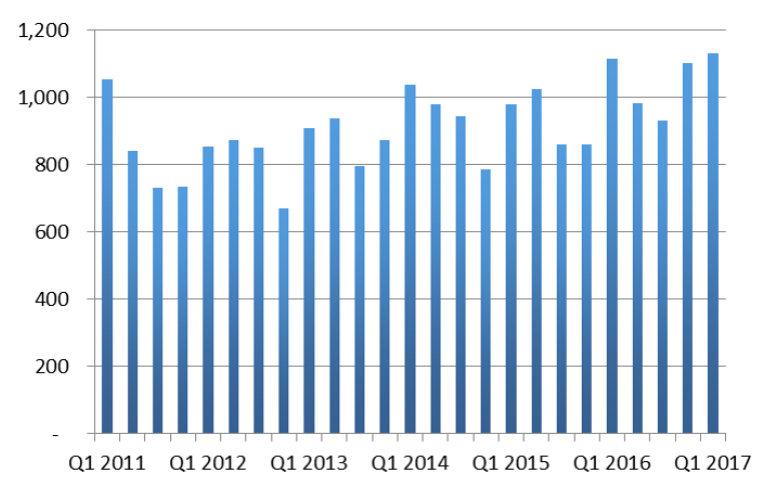
Trademark Filings



Fictitious Business Name (DBA) filings increased in Q1 2017.

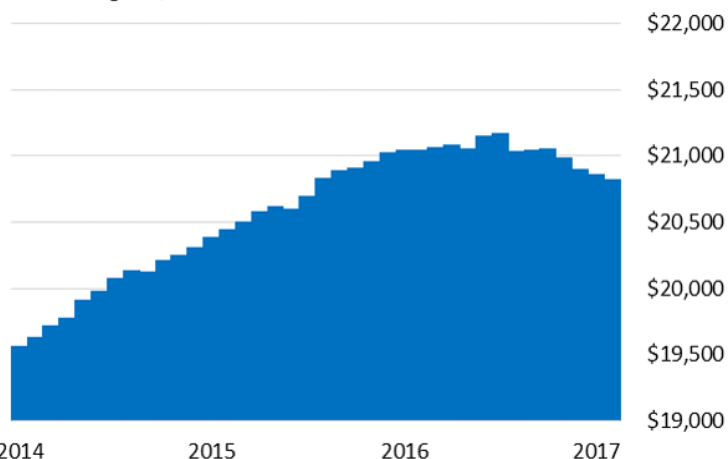
Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 1,131 fictitious business name filings in Q1 2017, an increase of 2.5% over the prior quarter. Fictitious business name filings for the 12 months ending Q1 2017 totaled 4,150 which was 7.5% higher than the previous year's number.

Fictitious Business Name (DBA) Filings



South Dakota Taxable Sales

12-Month Rolling Sum, in millions



Source: South Dakota Department of Revenue

South Dakota Economic Indicators

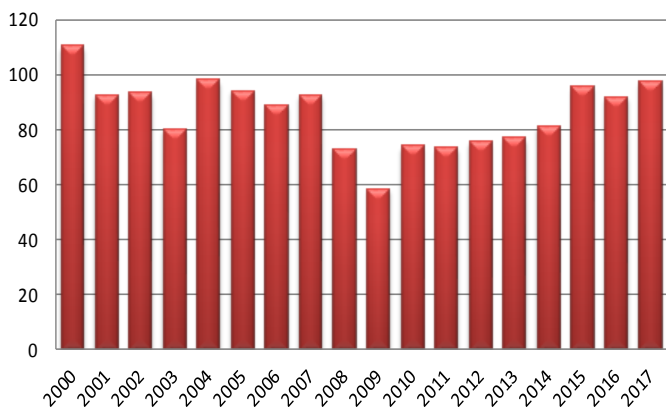
South Dakota's unemployment rate ranked in the top 5 nationally at 2.8%, up from 2.7% in December 2016. State economists were again forced to adjust their revenue projections as sales tax collections continued to fall. Although sales tax collections originating from the agriculture industry are low, basic economic principles such as "marginal propensity to consume" and the "multiplier effect" must be factored into forecasting. Simply stated, higher ag prices (and thus margins) produce higher rates of non-ag consumption (buying) and as a result, higher sales tax collections. The converse of higher ag prices is also true, lower non-ag consumption and lower sales tax revenue. In summary, not many farmers are buying new vehicles when corn is at \$3/bushel. Furthermore, in the context of flat crop prices, improved global ag production and a growing national economy, it is a reasonable argument to estimate that South Dakota sales tax

collections will continue to fall by 1-2% per year, if not more, as the state rides the coat tails of a strong national economy while suffering from the "reverse multiplier" effect of low crop prices. Although there has been a decrease in the sales tax revenue, South Dakota's economy is still strong, but will require adjustments to governmental spending.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	42,088	41,818	0.6%	1.0%	2.3%
Total Sales, 12 mo. trailing (millions of dollars)	67,191	67,584	-0.6%	-1.1%	3.2%
Taxable Sales, 12 mo. trailing (millions of dollars)	20,818	20,901	-0.4%	-1.1%	3.7%
Business Outlays					
Average Weekly Wage per Employee	809	760	6.4%	7.0%	3.4%
Retail Gasoline Price (dollars per gallon)	2.28	2.37	-3.8%	11.8%	-8.7%
Economic Overview					
Employment	438,000	440,000	-0.5%	1.6%	1.6%
Unemployment Rate	2.8%	2.7%	3.7%	3.7%	-10.9%
Initial Jobless Claims	180	365	-50.7%	8.4%	-11.6%
Continuing Jobless Claims	3,273	3,335	-1.9%	18.2%	-9.7%
Building Permits, Number of Units, 12 mo. trailing	5,383	5,502	-2.2%	17.5%	12.5%
Valuation (thousands of dollars), 12 mo. trailing	825,948	839,309	-1.6%	19.7%	13.7%
FHFA Purchase-Only Home Price Index	271	268	1.1%	5.0%	4.0%
Total Business Bankruptcy Filings	10	16	-37.5%	0.0%	-16.1%
Chapter 7	4	10	-60.0%	-50.0%	-26.0%
Chapter 11	-	-	-	-	-
Chapter 13	2	5	-60.0%	0.0%	14.9%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4/16); South Dakota Department of Revenue (NSA) (2/17); South Dakota Department of Labor and Regulation (SA) (Q3/16); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (3/27/17); Bureau of Labor Statistics, CES (SA) (3/17); US Department of Labor, Employment and Training Administration (NSA) (3/25/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/17); FHFA Purchase-Only Home Price Index (SA) (Q4/16); Administrative Office of the US Courts (Q4/16). *Compound Annual Growth Rate.

1st Quarter Consumer Sentiment



Source: University of Michigan Survey of Consumers

National Economic Indicators

The United States economy is giving no hints of slowing down.

Consumer Sentiment hit its highest March reading since 2004 at 97.2, and virtually every other economic indicator showed positive movement in Q1 2017, prompting a .25% increase in the Federal Benchmark interest rate to 1%. Federal Reserve Chair Yellen has indicated her targets are normalized employment of between 4.7 and 5.8% and inflation target at 2%. As the national unemployment rate continues to fall, and income continues to rise, it is reasonable to expect continuing increases. Depending on one’s political leaning, President Trump has either moved too quickly or too slowly on affecting the reforms promised as part of his election platform. Global “stability” indicators (such as gold) reflect uncertainty with the new president.

President Trump has followed through on one of his primary platform themes, improving the prospect of the American worker, by issuing various amendments to work-visa declarations. Other than following through on various forms of job creation and protection, Trump’s economic approach appears to be slow and prudent. For instance, the promise of repeal of the ACA appears to have been temporarily suspended, partially due to lack of agreement in the Republican Party. Internationally, France’s upcoming election as well as Great Britain’s exit from the European Union may prove to be sources of global economic instability in the coming quarter.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	16,266	16,110	1.0%	3.7%	4.0%
Retail Sales, 12 mo. trailing (billions of dollars)	5,525.6	5,488.6	0.7%	3.6%	3.7%
S&P 500	2,358.8	2,238.8	5.4%	13.8%	10.7%
Business Outlays					
Average Weekly Wage per Employee	1,027	989	3.8%	5.4%	2.3%
Consumer Price Index	244.5	243.0	0.6%	2.8%	1.3%
Energy	207.1	204.3	1.4%	15.6%	-2.3%
Transportation Services	307.0	302.8	1.4%	3.6%	2.9%
Retail Gasoline Price (dollars per gallon)	2.47	2.42	2.1%	13.1%	-9.2%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	16,813	16,727	0.5%	1.7%	2.1%
Employment (in thousands)	145,798	145,303	0.3%	1.6%	1.8%
Unemployment Rate	4.5%	4.7%	-4.3%	-0.2%	-3.6%
Initial Jobless Claims	252,000	275,000	-8.4%	-0.4%	-7.5%
Continuing Jobless Claims	2,025,000	2,105,000	-3.8%	-8.5%	-9.7%
Building Permits, Number of Units, 12 mo. trailing	1,202,474	1,179,500	1.9%	1.1%	13.6%
Valuation (millions of dollars), 12 mo. trailing	235,735	230,711	2.2%	5.2%	17.0%
FHFA Home Price Index	238.1	234.7	1.4%	5.9%	5.9%
Total Business Bankruptcy Filings	5,666	5,597	1.2%	-5.1%	-15.3%
Chapter 7	3,697	3,639	1.6%	-3.7%	-16.6%
Chapter 11	1,287	1,272	1.2%	-9.6%	-13.7%
Chapter 13	519	560	-7.3%	-10.8%	-12.1%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4/16); US Census Bureau (NSA) (2/17); Yahoo Finance (4/4/17); Bureau of Labor Statistics, QCEW (NSA) (Q3/16); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (2/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (4/4/7); Bureau of Economic Analysis (SA) (Q4/16); Bureau of Labor Statistics, CES (SA) (3/17); US Department of Labor, Employment and Training Administration (SA) (3/4/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/17); FHFA Purchase-Only Home Price Index (SA) (Q4/16); Administrative Office of the US Courts (Q4/16). *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.