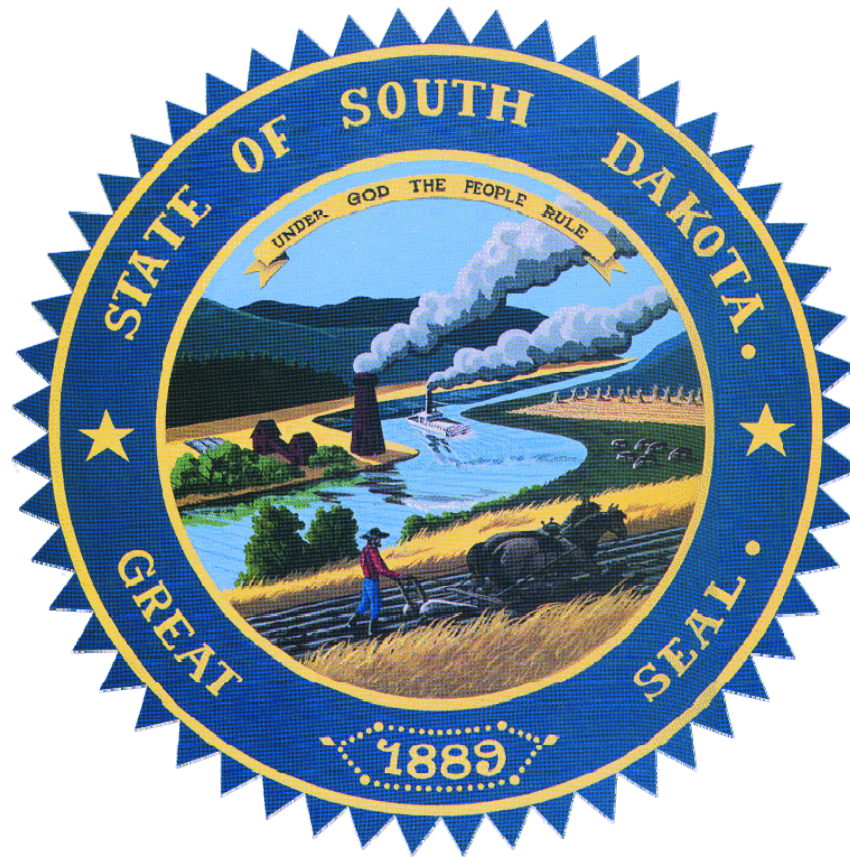


Governor's Council of Economic Advisors



May 16, 2017

IHS Markit Baseline Economic Forecast for South Dakota Key Indicators (April '17)

	2014	2015	2016	2017 f	2018 f	2019 f	'07-'16 avg.
SD Real GDP Growth	0.7%	2.6%	1.7%	3.5%	3.6%	2.5%	2.2%
SD NF Employment	1.4%	1.1%	1.1%	1.3%	1.2%	1.2%	0.8%
SD NF Income	7.6%	6.5%	3.9%	4.8%	5.1%	5.3%	4.8%
SD Housing Starts	4,410	4,110	5,340	4,950	4,560	4,670	4,190
SD Unempl. Rate	3.4%	3.1%	2.8%	2.9%	2.9%	2.9%	3.7%

Growth Rates of Key Revenue Sources

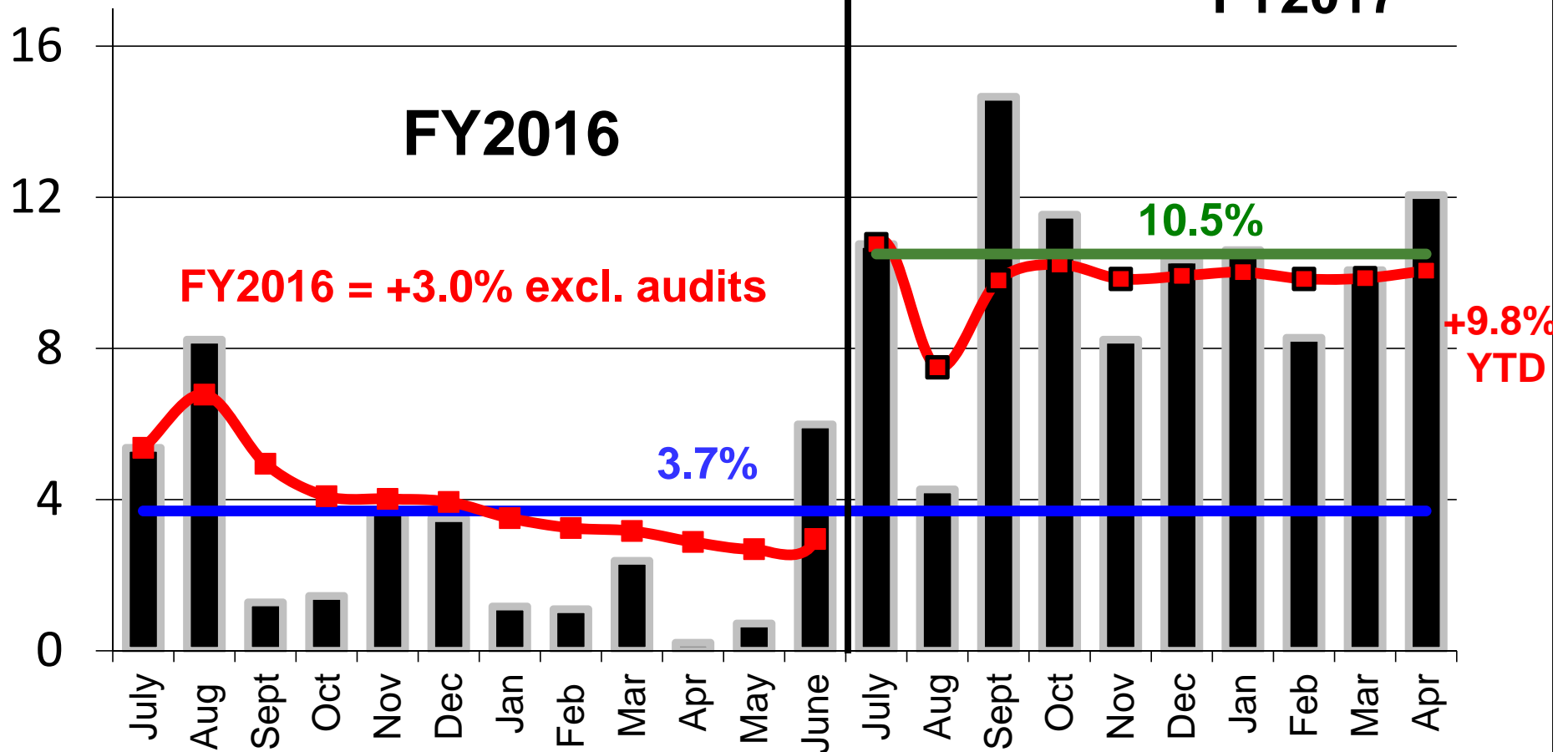


63% of Total

Growth Rates for Sales Tax Collections

Blue = FY08-FY16 Average Red = Running YTD FY16/FY17 Growth
Black = Monthly Growth Rates Green = Growth of Revised FY17 Est.

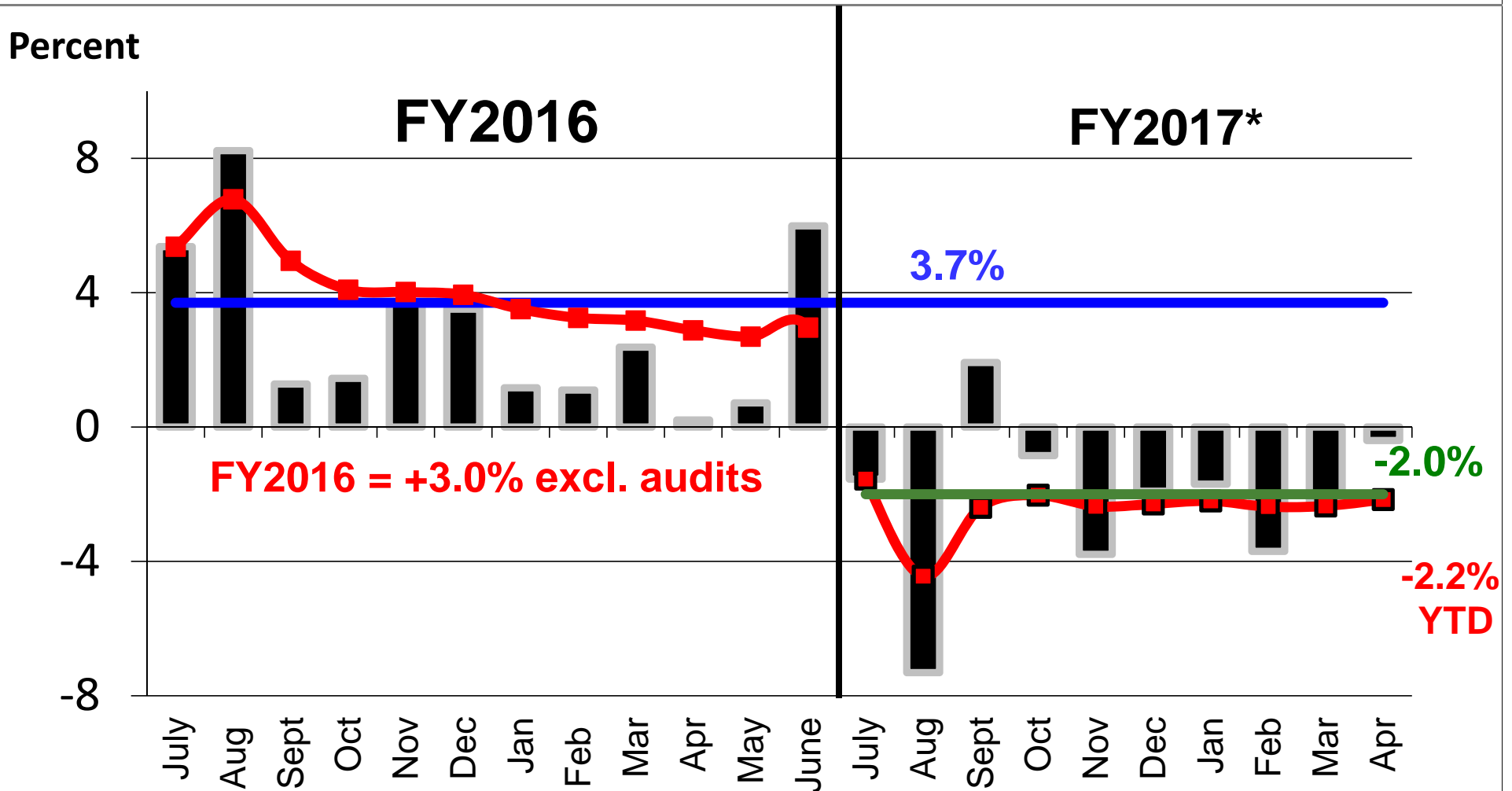
Percent



Source: SD Bureau of Finance and Management
*FY2017 Includes 0.5% sales tax increase

Growth Rates for Sales Tax Collections

Blue = FY08-FY16 Average **Red = Running YTD FY16/FY17 Growth**
Black = Monthly Growth Rates **Green = Revised Base FY17 (w/o rate inc)**



Source: SD Bureau of Finance and Management
 *Excludes Rate Increase

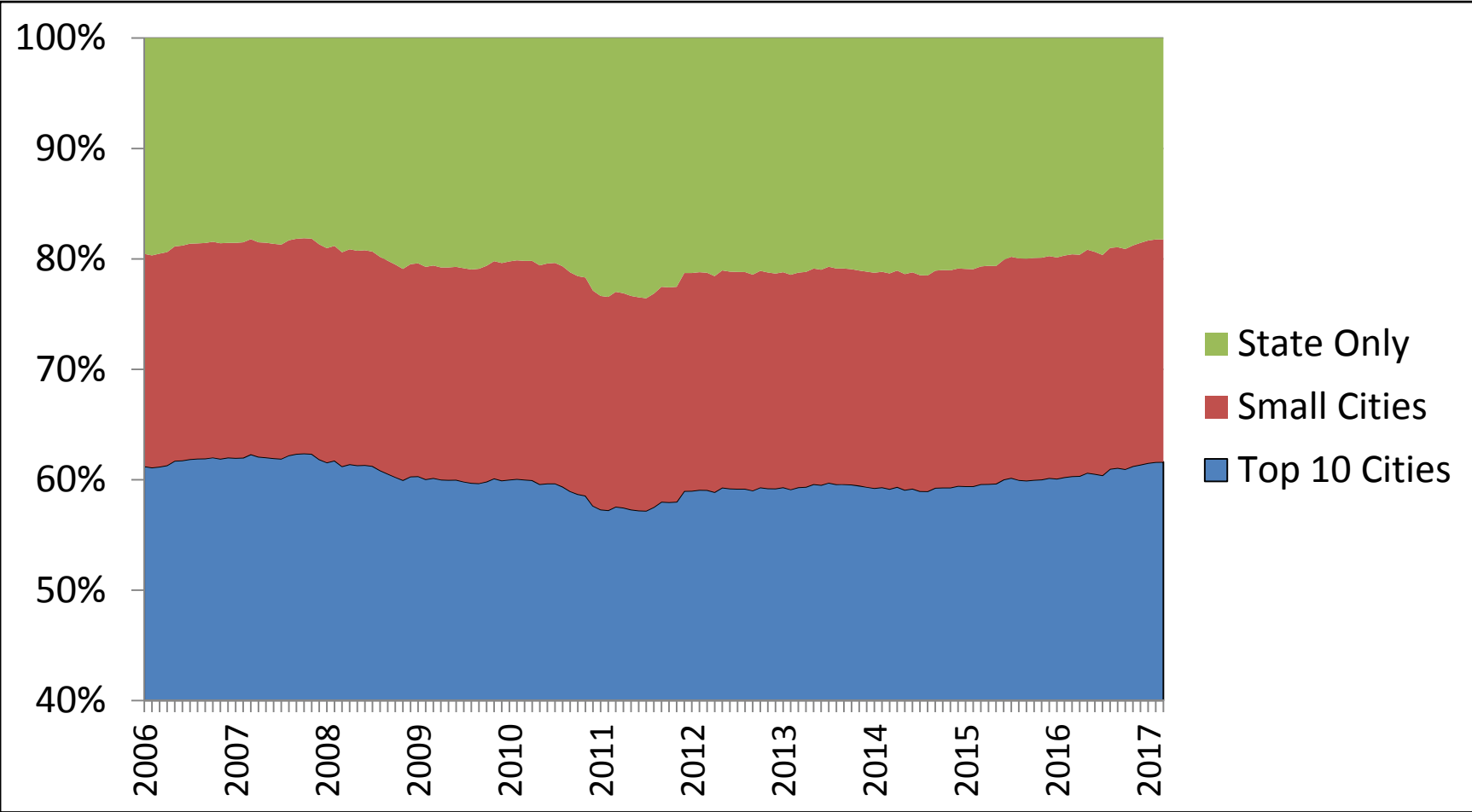
FY2017 YTD Taxable Sales Growth through April

Taxable Sales by Major Group Comparison				Average Growth from FY09-FY16
<u>Top 15 Major Groups (82% of total)</u>	<u>FY16</u>	<u>FY17</u>	<u>% Chg</u>	<u>FY09-FY16</u>
Misc. Retail *	1,910,728,382	1,744,580,063	-8.7%	2.9%
General Merchandise Stores	1,910,031,958	1,920,067,407	0.5%	3.7%
Food Stores	1,314,080,338	1,284,830,202	-2.2%	2.7%
Building Materials & Garden Supplies	1,317,143,535	1,167,125,591	-11.4%	4.9%
Eating & Drinking Places	1,192,626,280	1,202,647,824	0.8%	4.0%
Electric, Gas, & Sanitary Services	1,164,256,317	1,210,554,054	4.0%	0.9%
Wholesale Trade - Durable Goods	1,103,913,249	938,332,599	-15.0%	2.8%
Auto Dealers/Service Stations	847,115,098	807,269,555	-4.7%	4.5%
Communications	1,012,579,119	1,002,308,729	-1.0%	3.9%
Business Services	832,222,274	835,510,903	0.4%	4.5%
Furniture & Homefurnishing Stores	515,722,862	529,072,413	2.6%	-1.1%
Auto Repair, Services, & Parking	432,606,666	428,870,136	-0.9%	5.1%
Engineering & Management Services	394,532,792	448,269,284	13.6%	3.9%
Apparel & Accessory Stores	324,675,117	338,285,809	4.2%	3.6%
Hotels & Other Lodging Places	520,542,125	514,788,926	-1.1%	5.6%
Total of Top 15 Major Groups	14,792,776,112	14,372,513,495	-2.8%	3.3%
Remaining Groups	2,947,065,078	2,998,778,610	1.8%	3.9%
Total Taxable Sales	17,739,841,190	17,371,292,105	-2.1%	3.4%

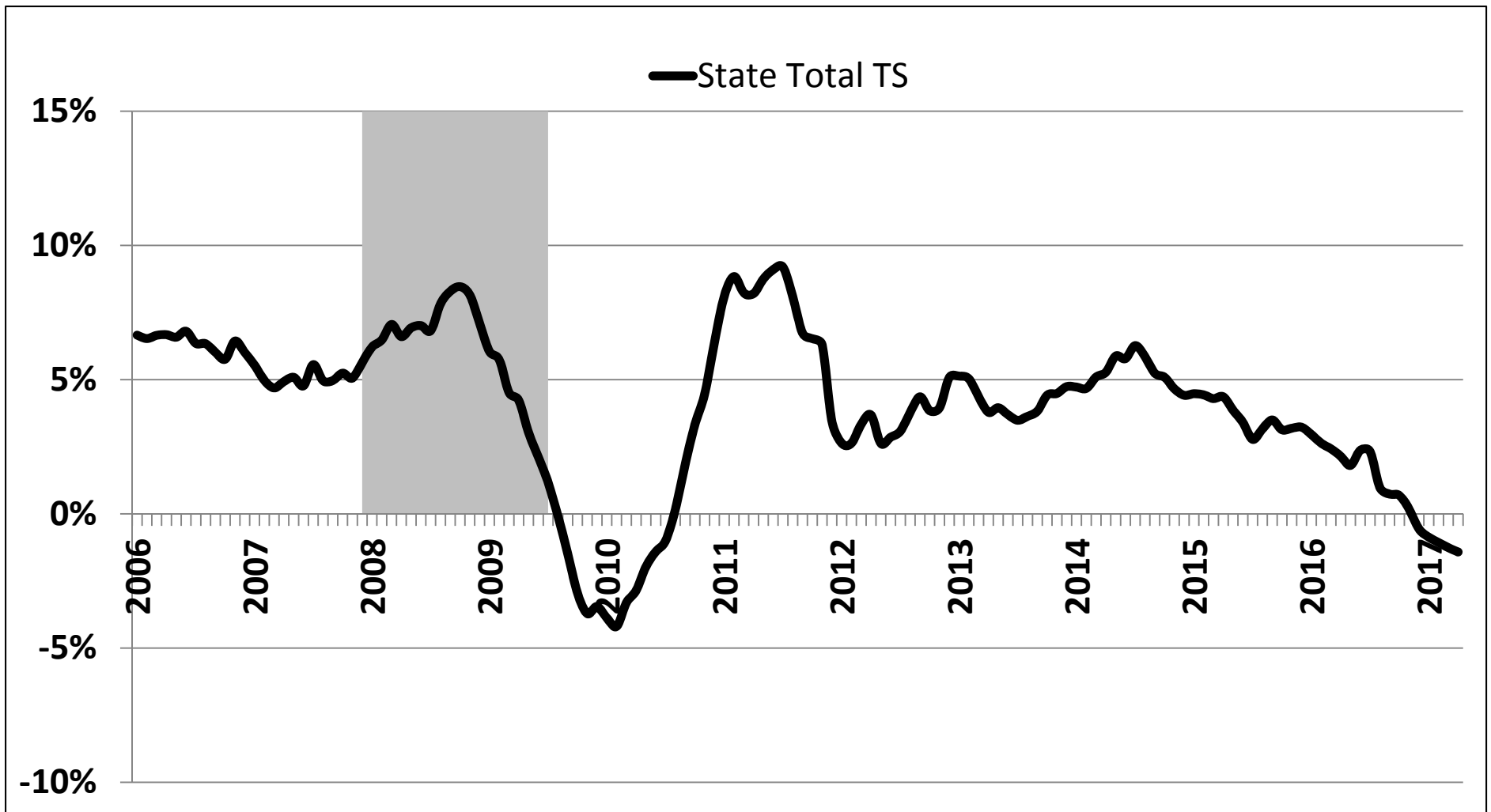
Taxable Sales Growth Analysis

- Split State Taxable Sales into 3 sub-groups
 - Largest 10 Cities Taxable Sales (up to 2% rate applies)
 - All other Cities (excludes top 10) Taxable Sales
 - Rest of Taxable Sales (only 4.5% state rate applies)
- All data is smoothed by using a 12 month moving average of the most recent year of taxable sales.

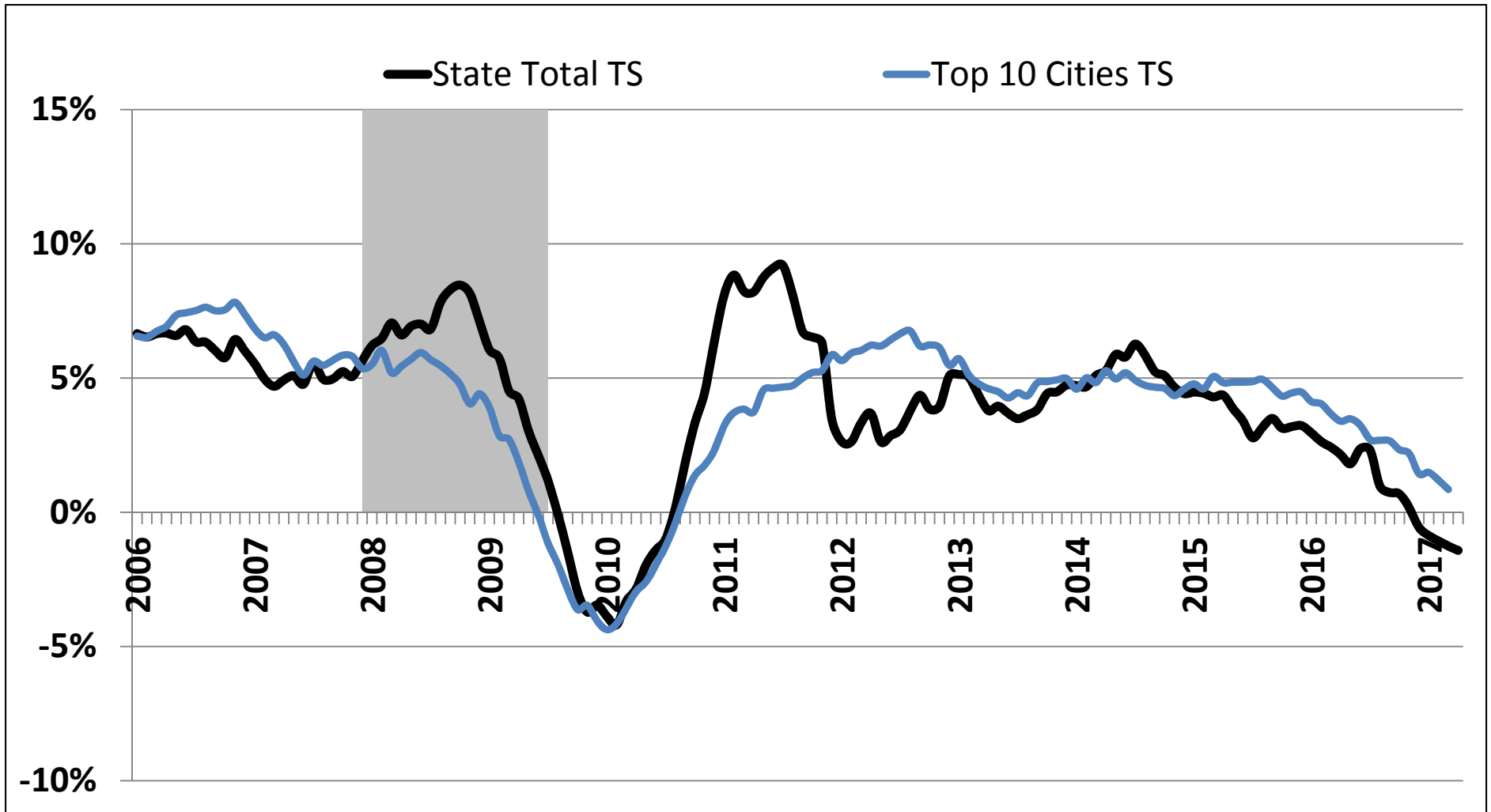
Taxable Sales Growth Analysis



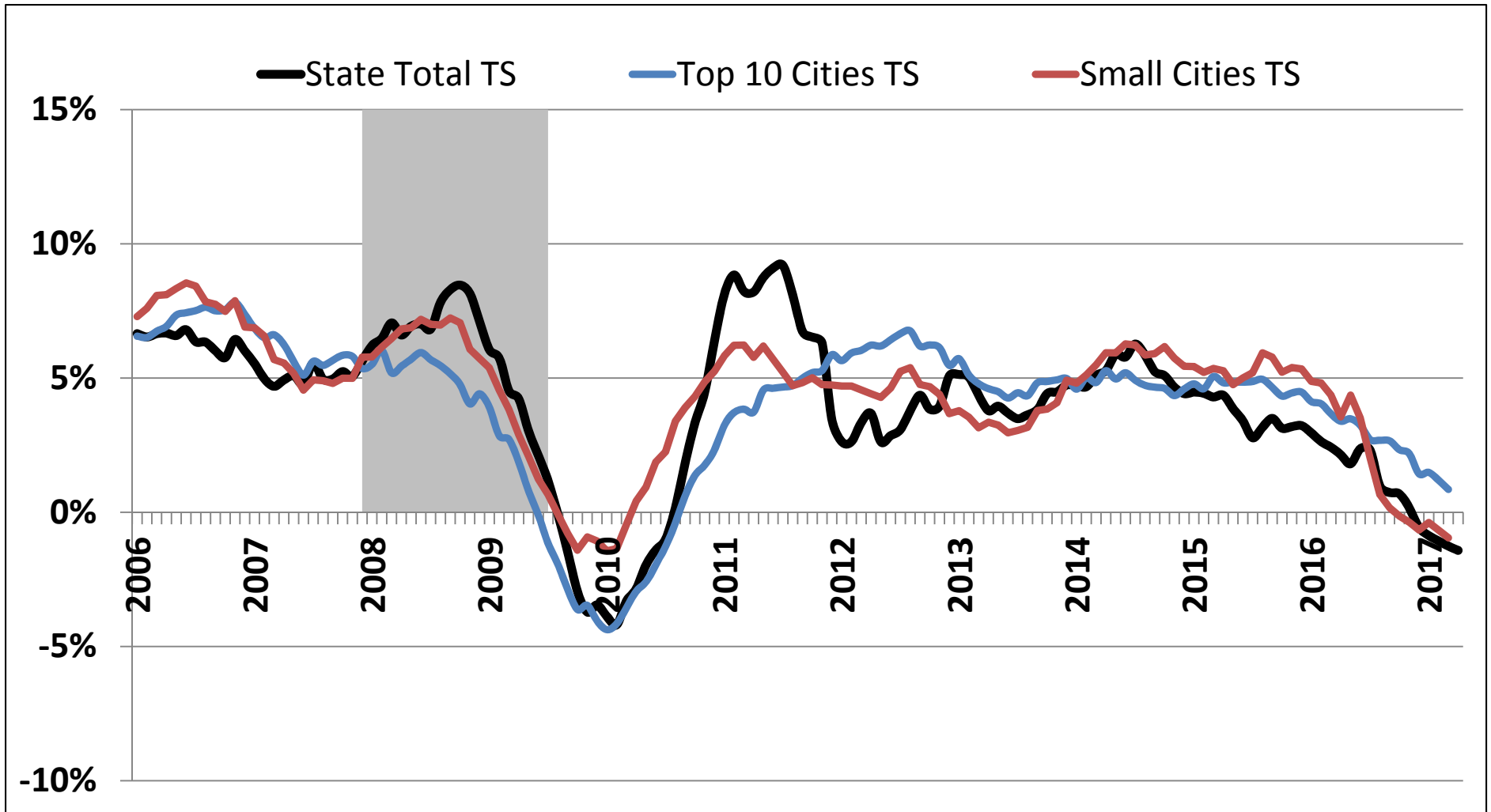
Taxable Sales Historical Growth



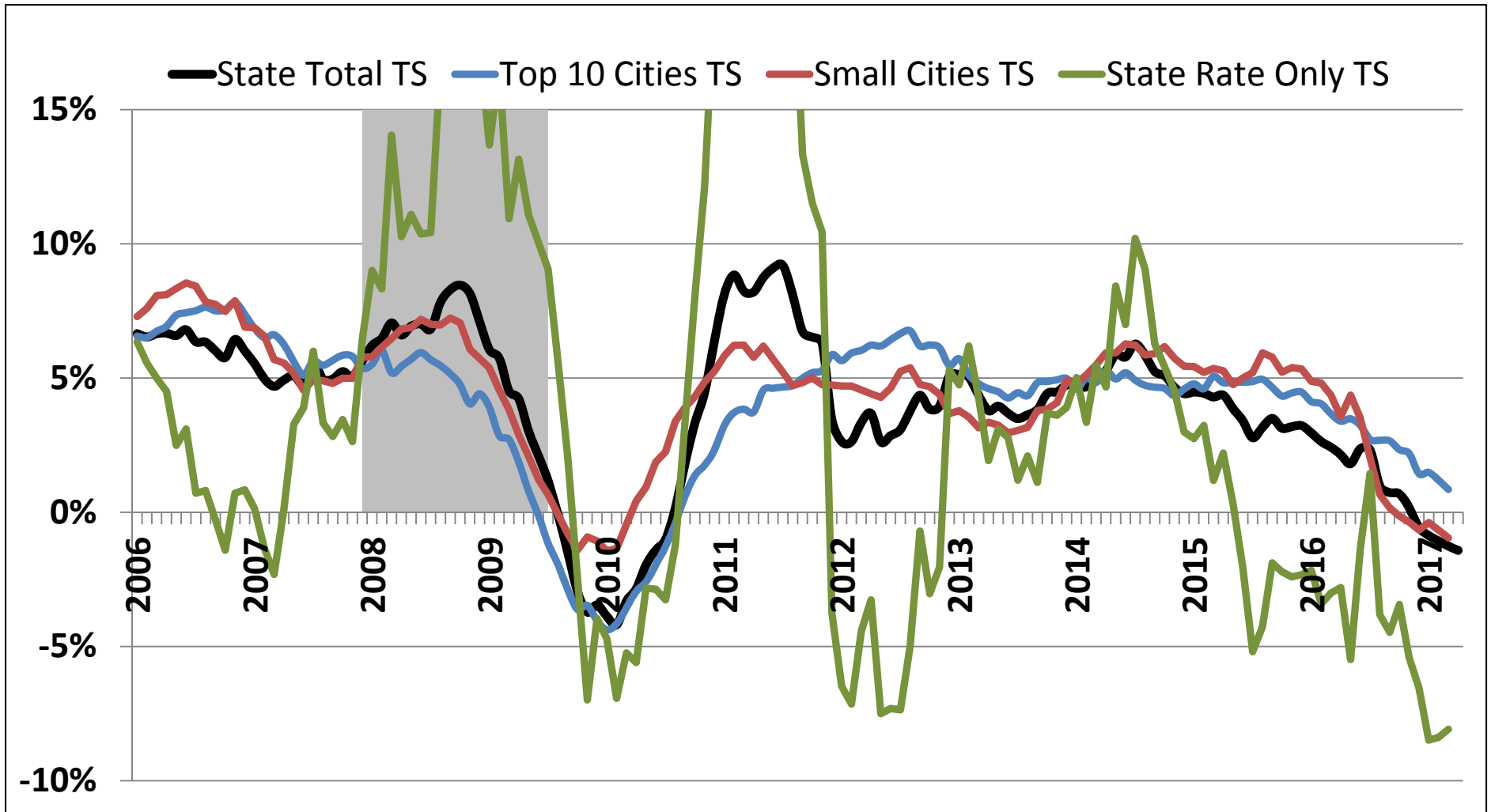
Taxable Sales Historical Growth



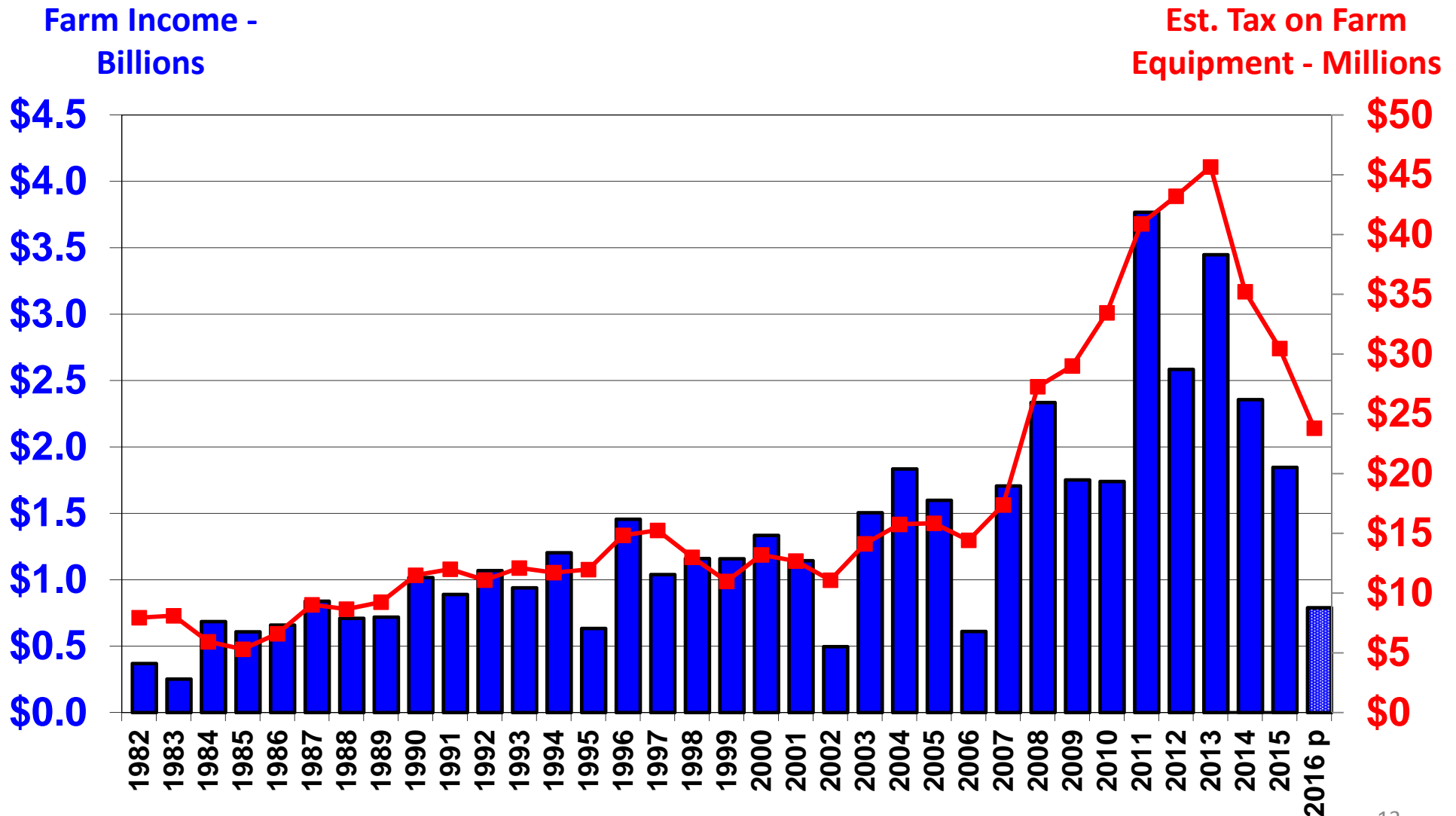
Taxable Sales Historical Growth



Taxable Sales Historical Growth



Sharp Decline in Farm Income – Leading to Less Spending



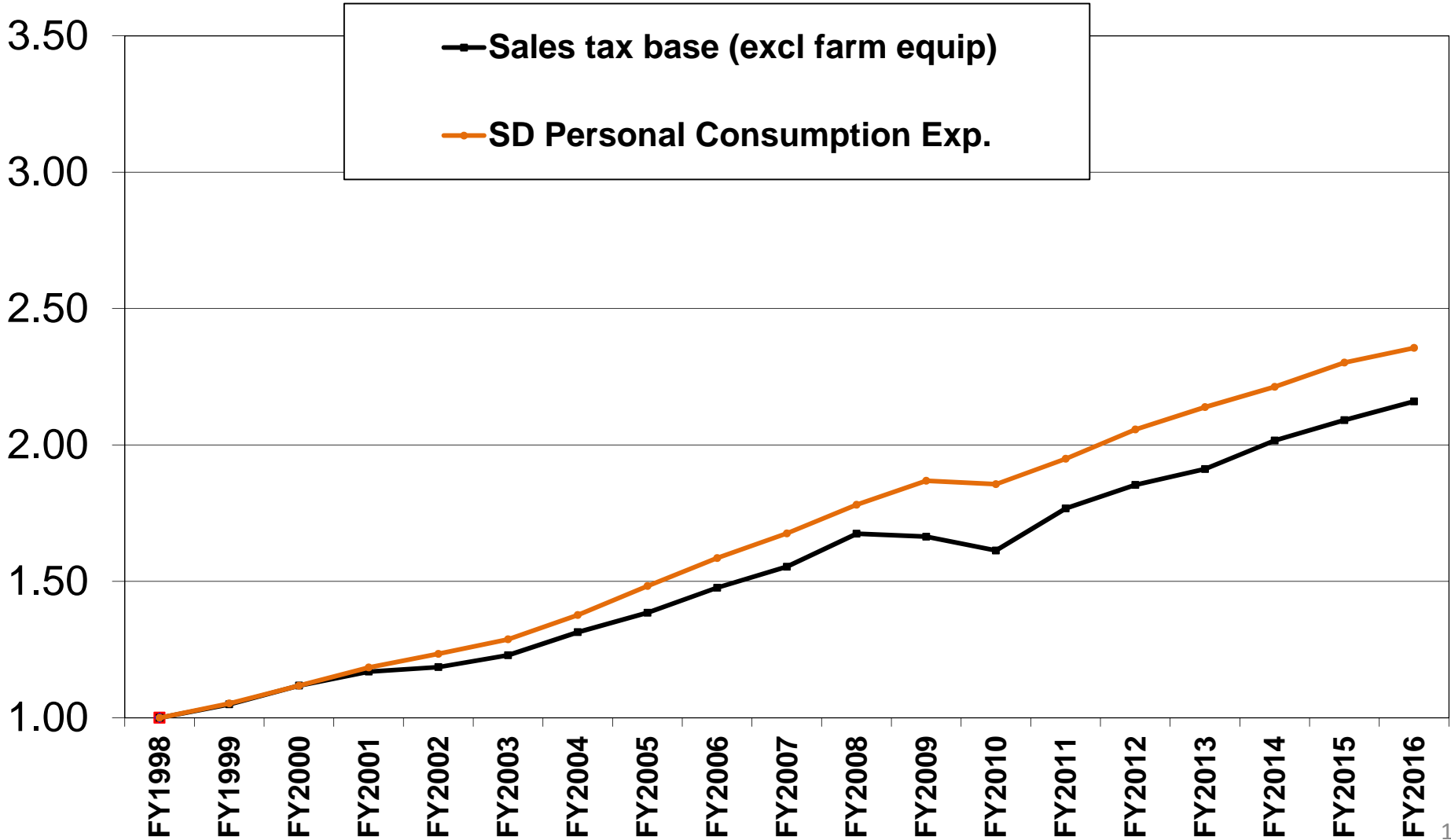
Source: BEA and SD Dept. of Revenue

Conclusions

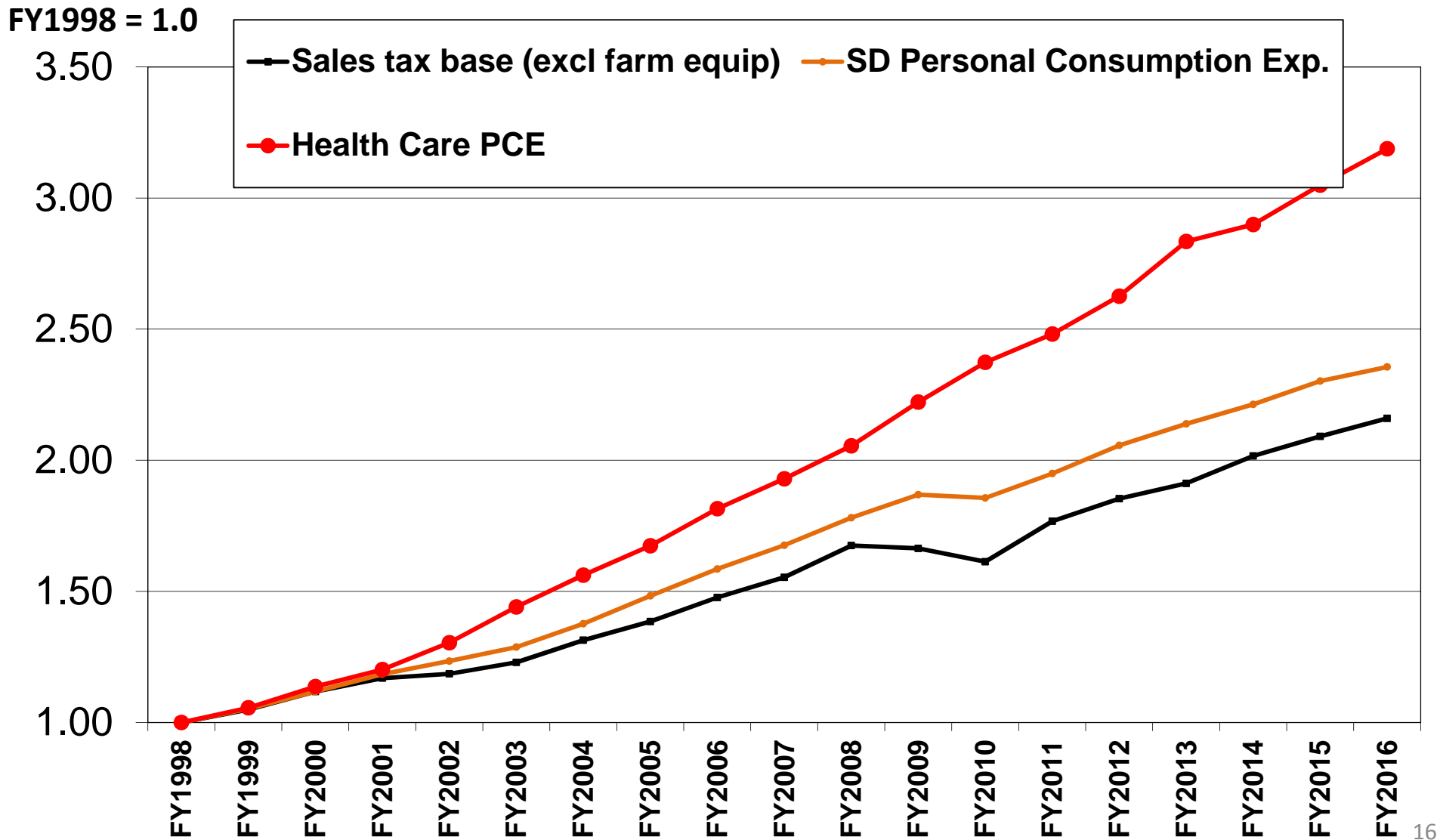
- Lack of Inflation providing little to no price increase in taxable sales base. In some cases we are seeing price decreases (food).
- Drastic reduction in farm income causing decline in capital spending in the Agriculture sector.
- Although progress has been made, still seeing leakage from E-commerce activity.

Adjusted Sales Tax Base vs. SD Personal Consumption Expenditures

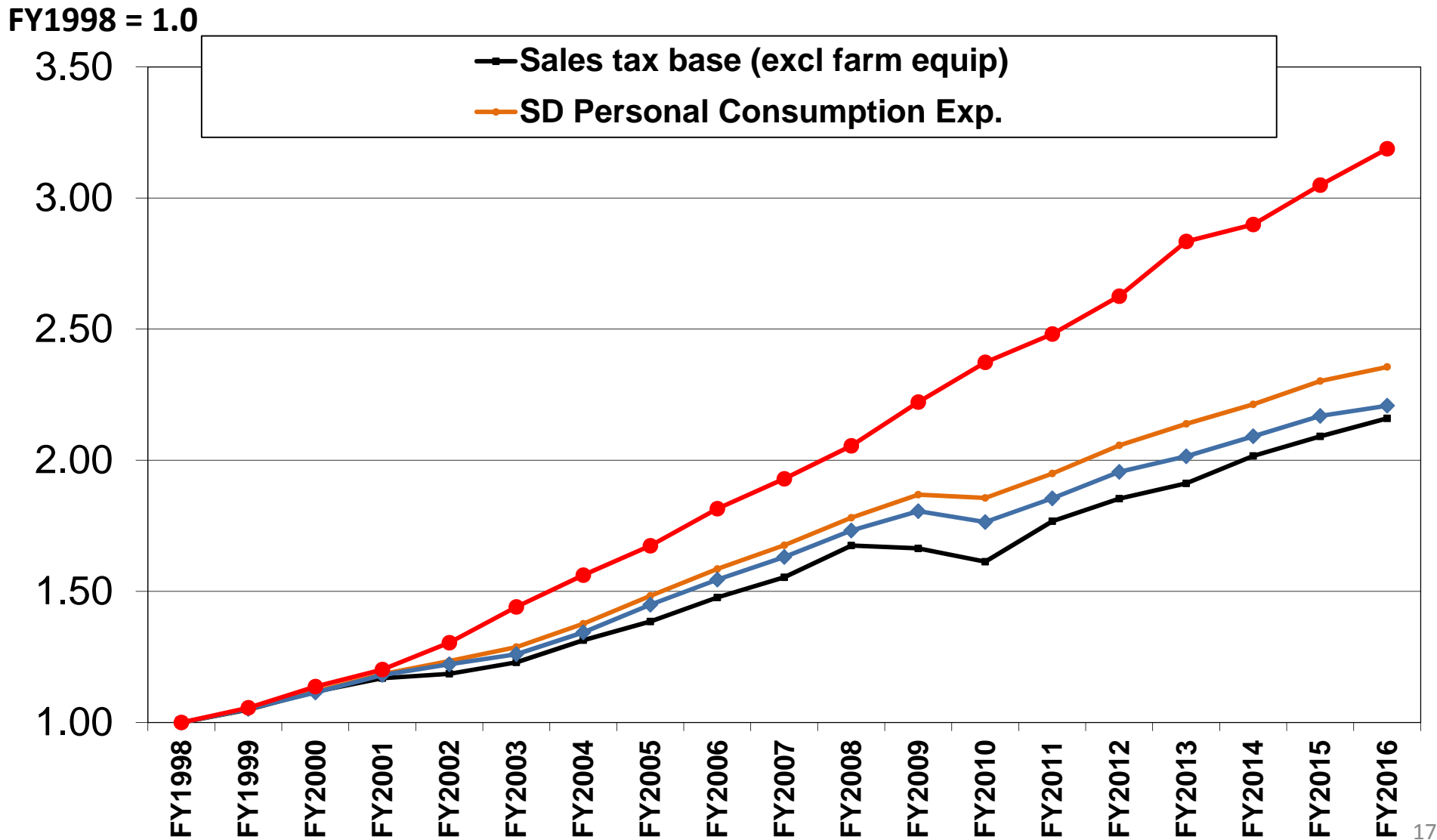
FY1998 = 1.0



Adjusted Sales Tax Base vs. SD Personal Consumption Expenditures



Adjusted Sales Tax Base vs. SD Personal Consumption Expenditures



Growth Rate for Video Lottery

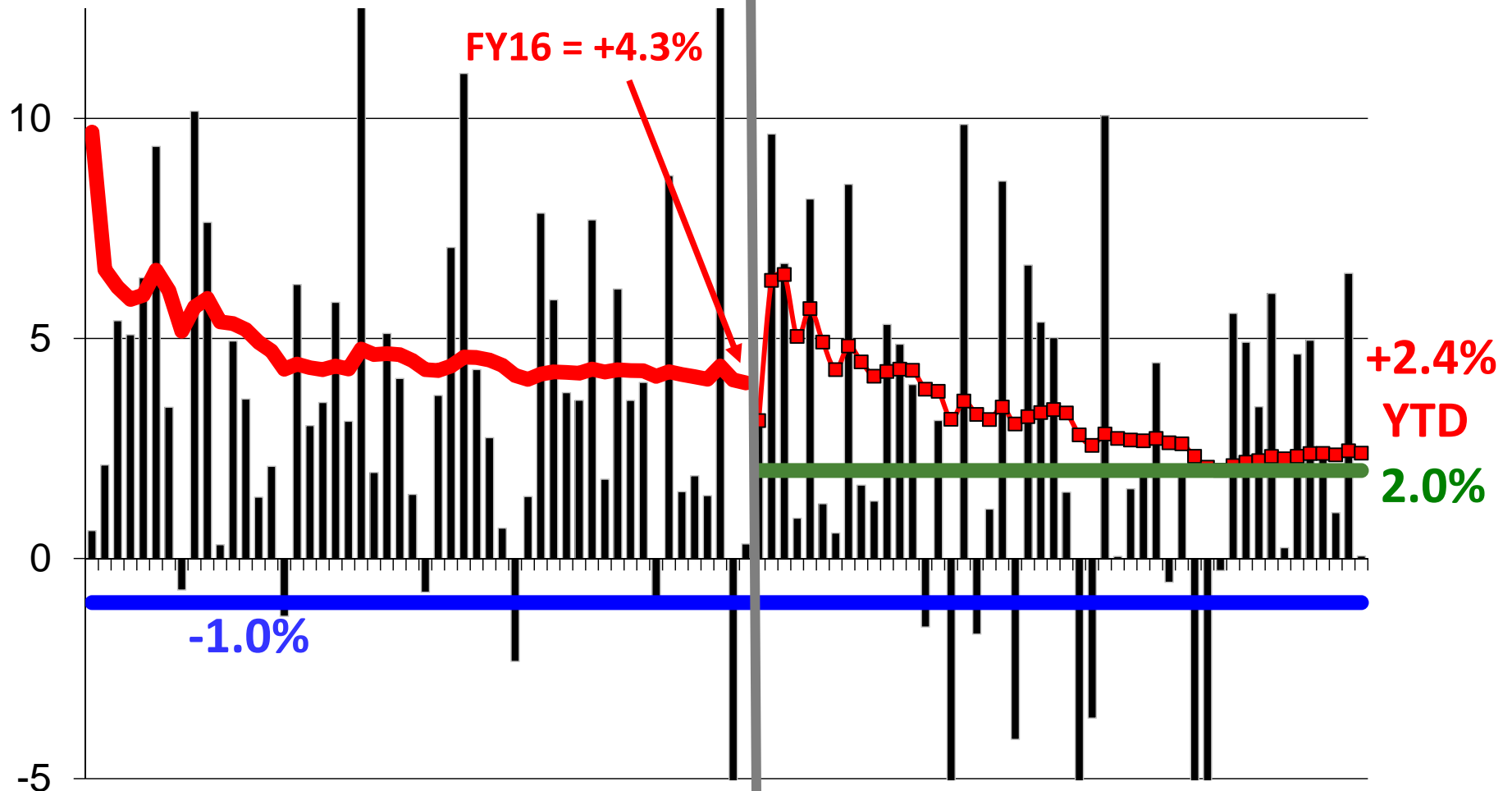
7% of Total

Blue = FY08-FY16 Avg. Red = FY16 YTD Growth/FY17 YTD Growth
Black = Weekly Growth Rates Green = Growth of Revised FY17 Est.

Percent

FY2016

FY2017

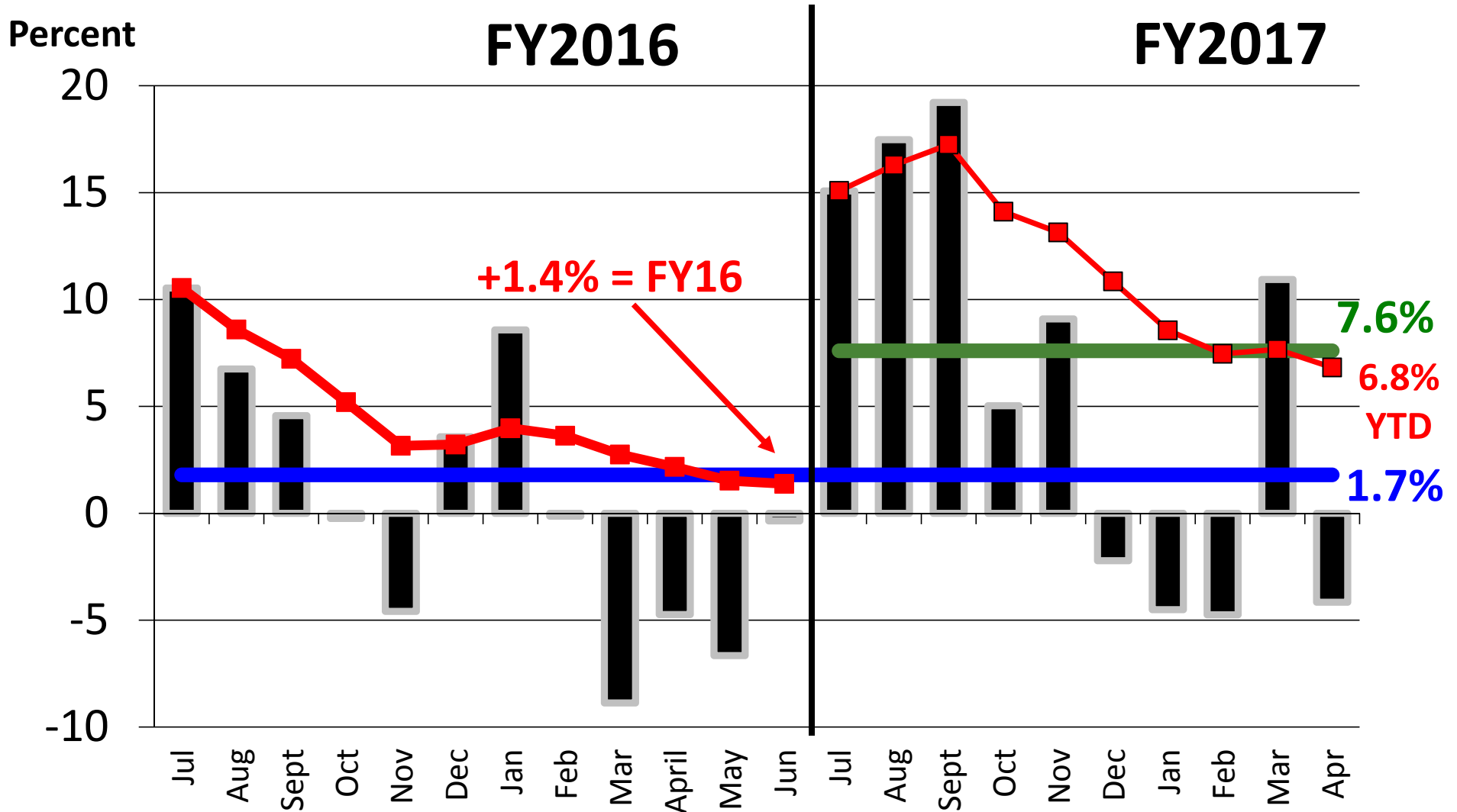


Source: SD Department of Revenue/Bureau of Finance and Management

Recent Growth Rates for Net CET

7% of Total

Blue = FY08-FY16 Average Red = FY16 YTD Growth/FY17 YTD Growth
 Black = Monthly Growth Rates Green = Growth of Revised FY17 Est.

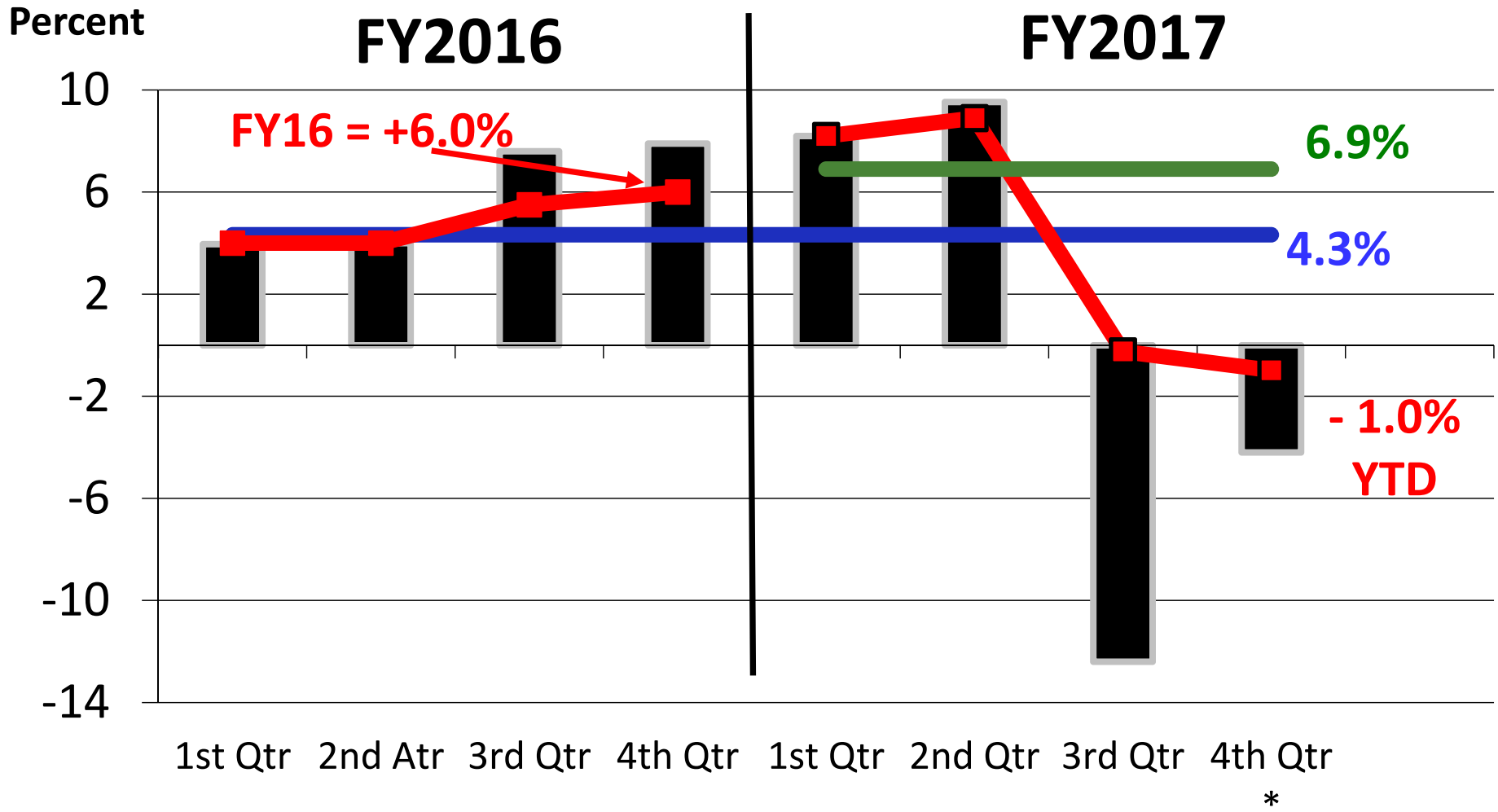


Source: SD Bureau of Finance and Management

Growth Rates for Insurance Company Tax

5% of Total

Blue = FY08-FY16 Average Red = FY16 YTD Growth/FY17 YTD Growth
 Black = Quarterly Growth Rates Green = Growth of Revised FY17 Est.



Source: SD Bureau of Finance and Management

Other Discussion

- Agriculture
- Tourism
- Geographical Areas
- Other Discussion