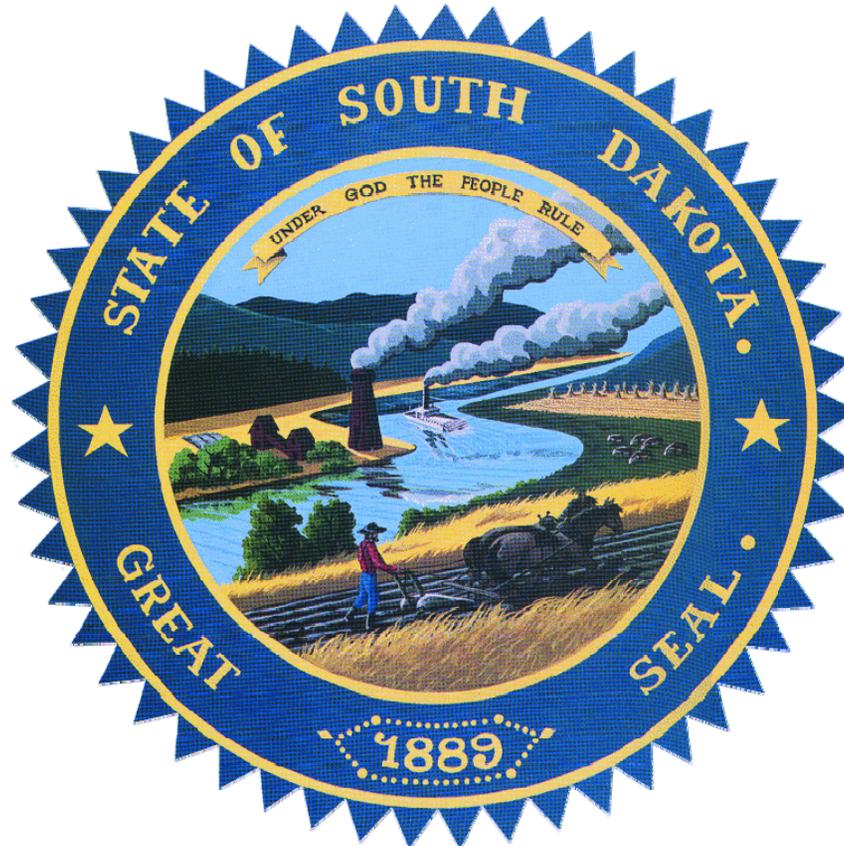


United States and South Dakota Economic Outlook



**Presentation to the SD Banking Commission
December 5, 2014**

Jim Terwilliger, Bureau of Finance and Management

US & SD Economic Overview

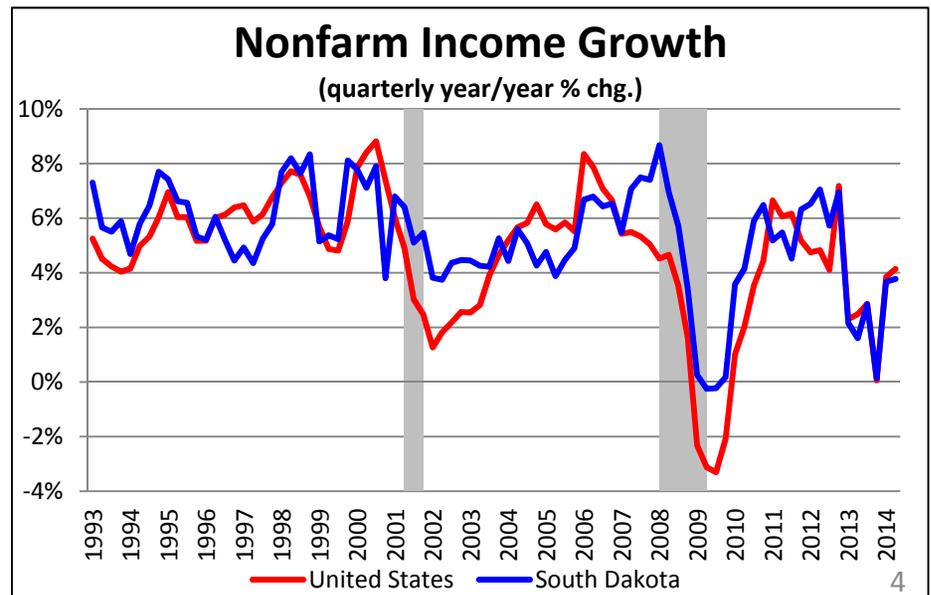
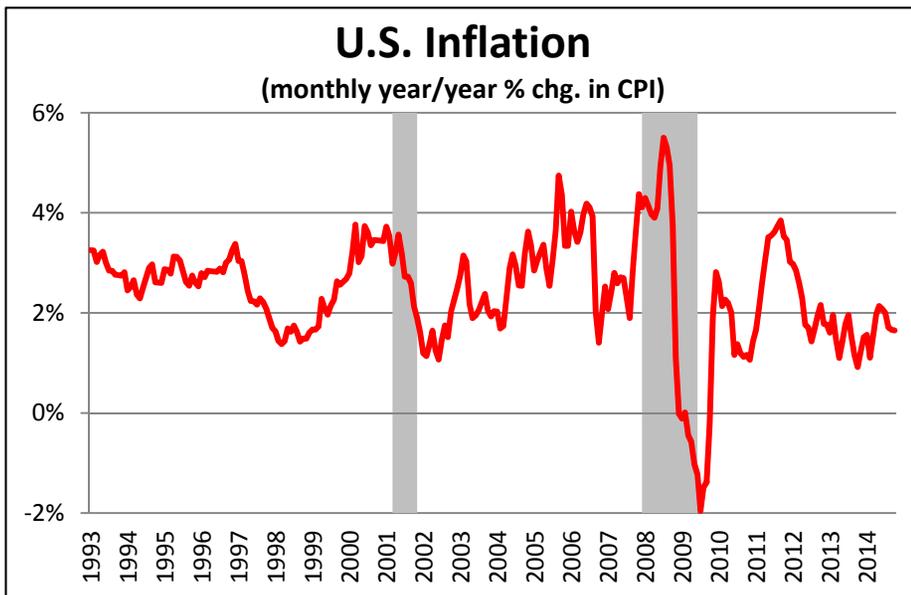
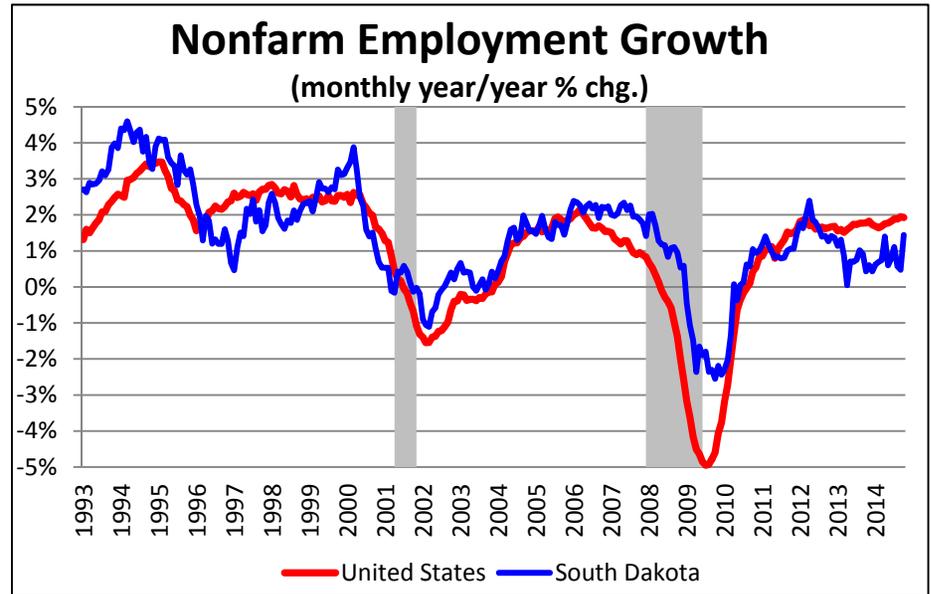
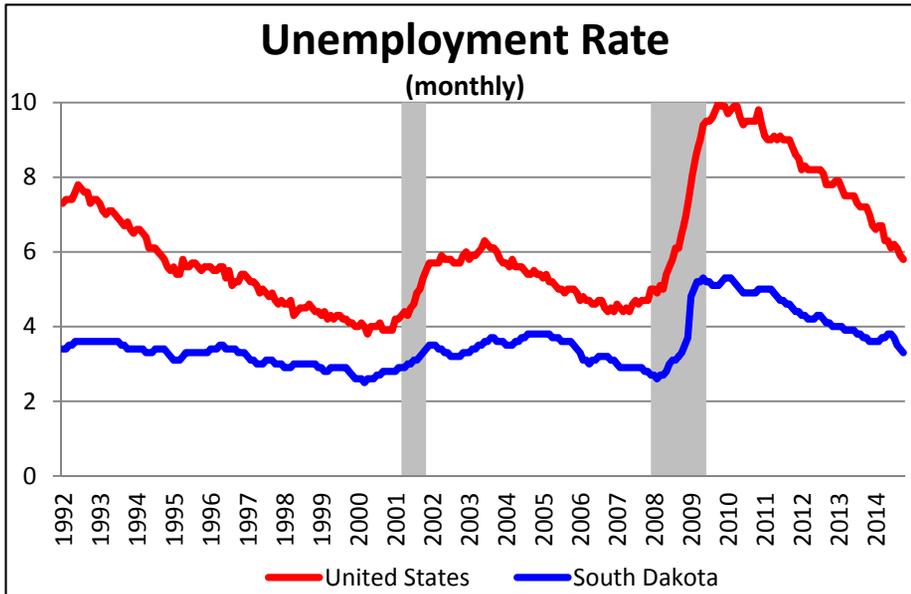
- United States
 - Current US economic forecast from IHS Economics
- South Dakota
 - Compare to the US average for various indicators
 - Recent employment growth
 - Changes in SD & US economic forecasts
 - Recent tax collection trends
- Agriculture Sector
 - Farm income/Equipment tax collections
 - Crop production & prices

IHS Economics

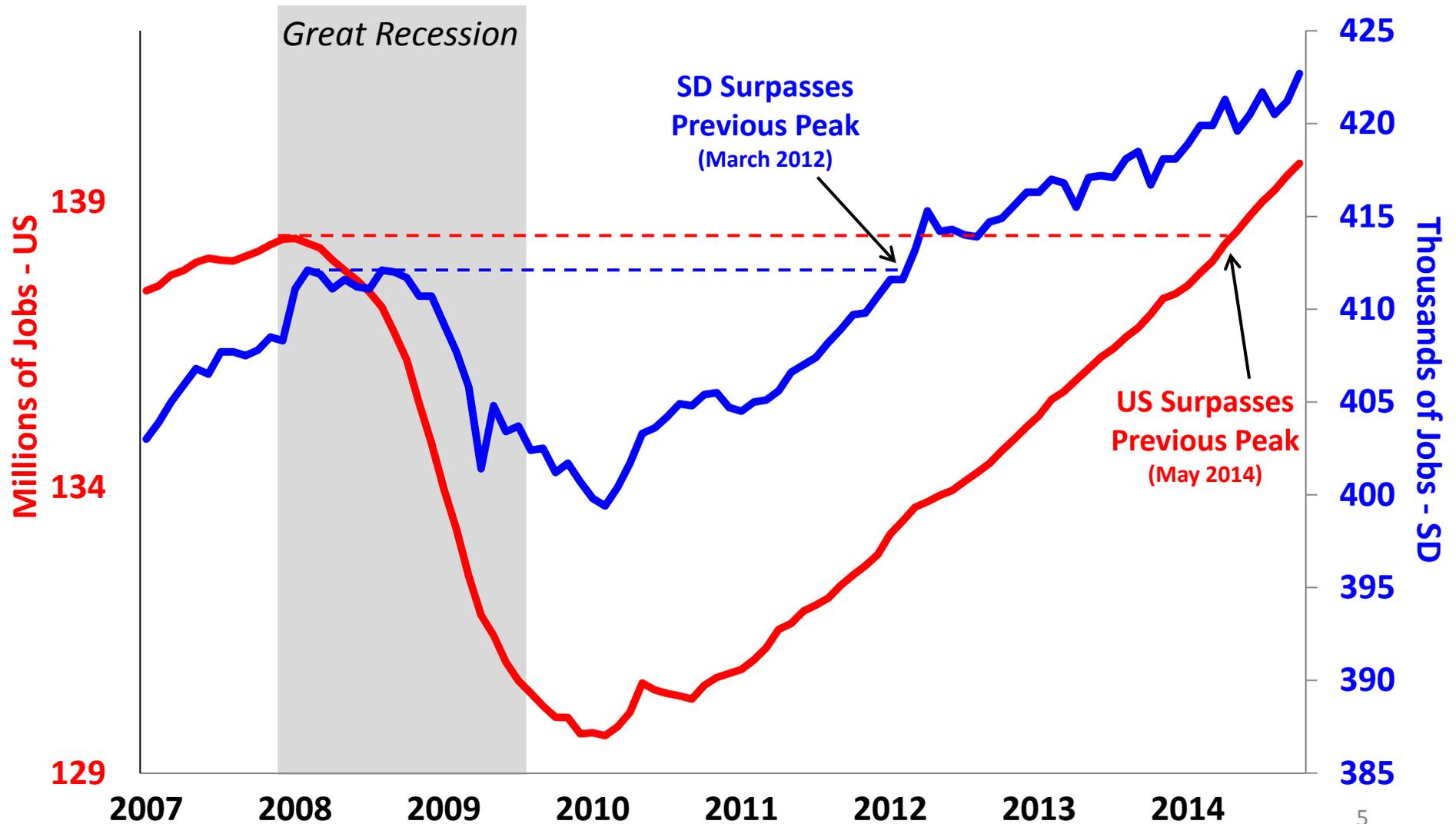
Current US Baseline Forecast

Indicator	2013 A	2014 F	2015 F	2016 F
Real GDP	2.2%	2.2%	2.6%	2.8%
NF Employment	1.7%	1.8%	1.9%	1.5%
Personal Income	2.0%	4.2%	4.3%	5.0%
Consumer Prices	1.5%	1.7%	1.0%	1.6%
Unemployment Rate	7.4%	6.2%	5.7%	5.5%

SD Economic Indicators



Nonfarm Employment SD vs. US



Source: Bureau of Labor Statistics

South Dakota Employment Changes

(October 2013 - October 2014 seasonally adjusted)

	Y/Y % Chg.	Y/Y Gain (Loss)
Total Nonfarm (seasonally adj.)	1.4%	6,000
Mining, Logging & Construction	5.7%	1,200
Manufacturing	3.9%	1,600
Wholesale Trade	7.1%	1,400
Retail Trade	(0.6%)	(300)
Transportation & Utilities	2.4%	300
Information	3.3%	200
Financial Activities	0.3%	100
Prof. and Business Services	2.0%	600
Ed & Health Services	(0.7%)	(500)
Leisure and Hospitality	(1.1%)	(500)
Other Services	4.4%	700
Government	1.5%	1,200

Forecasted Growth for Major Economic Variables Continues to Revise Downward

Changes in Forecasts for CY 2015				
SD Variables	Feb. 2014	July 2014	Oct. 2014	BFM/Nov. 2014
SD Nonfarm Empl.	1.9%	1.7%	1.9%	1.2%
SD Nonfarm Income	5.4%	5.1%	4.9%	4.4%
SD Housing Starts	6,100	5,900	5,800	4,800
US Variables				
Real GDP	3.3%	3.0%	2.7%	2.7%
US Housing Starts	1.47M	1.37M	1.19M	1.19M
Business Investment	6.8%	6.5%	5.5%	5.5%
Consumption Expend.	3.1%	2.7%	2.8%	2.8%
US Total Income	5.1%	4.7%	4.6%	4.6%

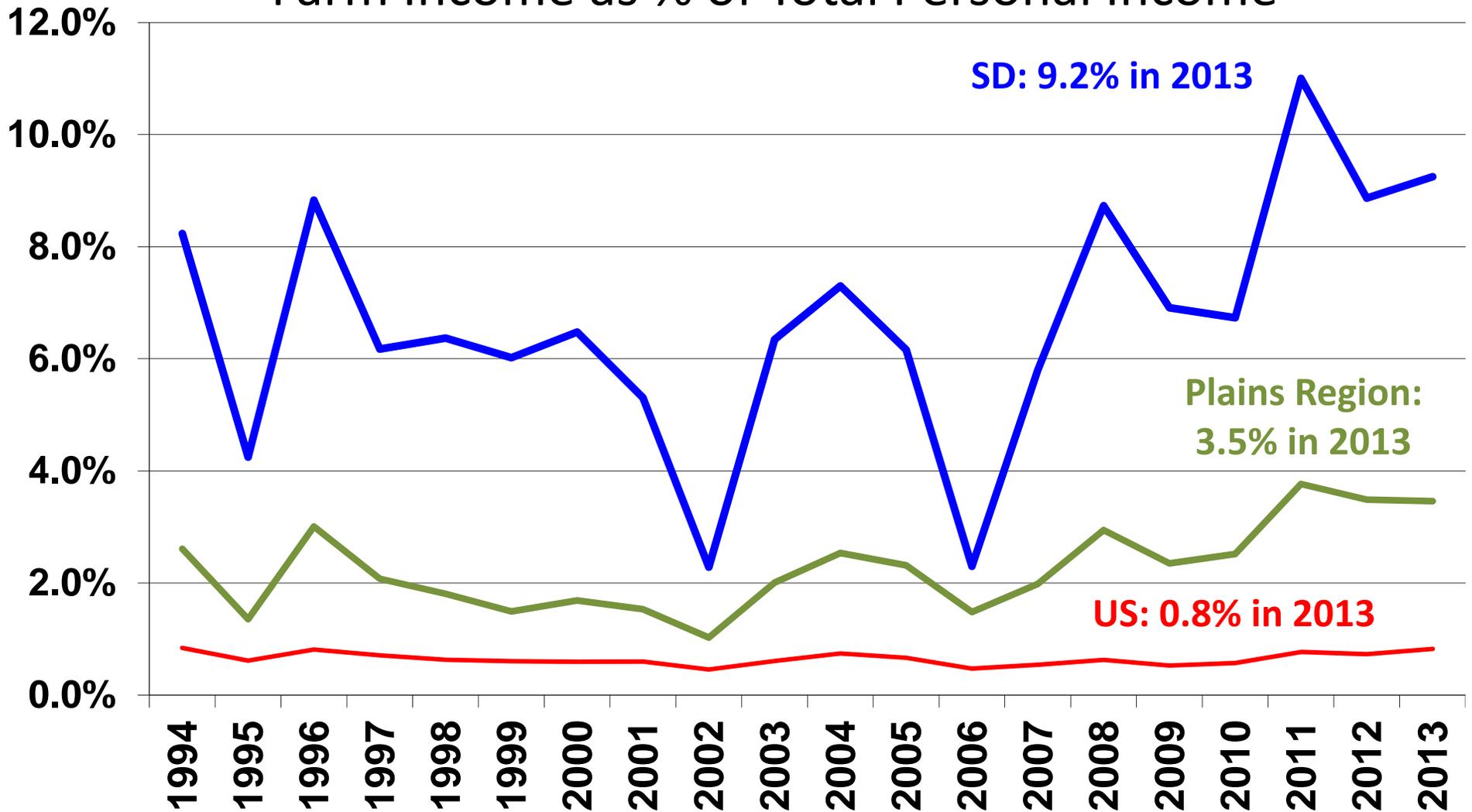
Source: IHS Economics and SD Bureau of Finance and Management

Recent SD Tax Collection Trends

Tax Source	FY2015 YTD	Historical
Sales and Use Tax	2.1%	4.6%
Contractor's Excise Tax	5.9%	2.4%
Video Lottery (state's share)	6.2%	(2.2%)
Insurance Company Tax	7.9%	3.8%
Tourism Promotional Tax	3.6%	4.5%
Deadwood Gaming Tax	3.7%*	2.2%

Agriculture is a Major Contributor to the SD Economy

Farm Income as % of Total Personal Income

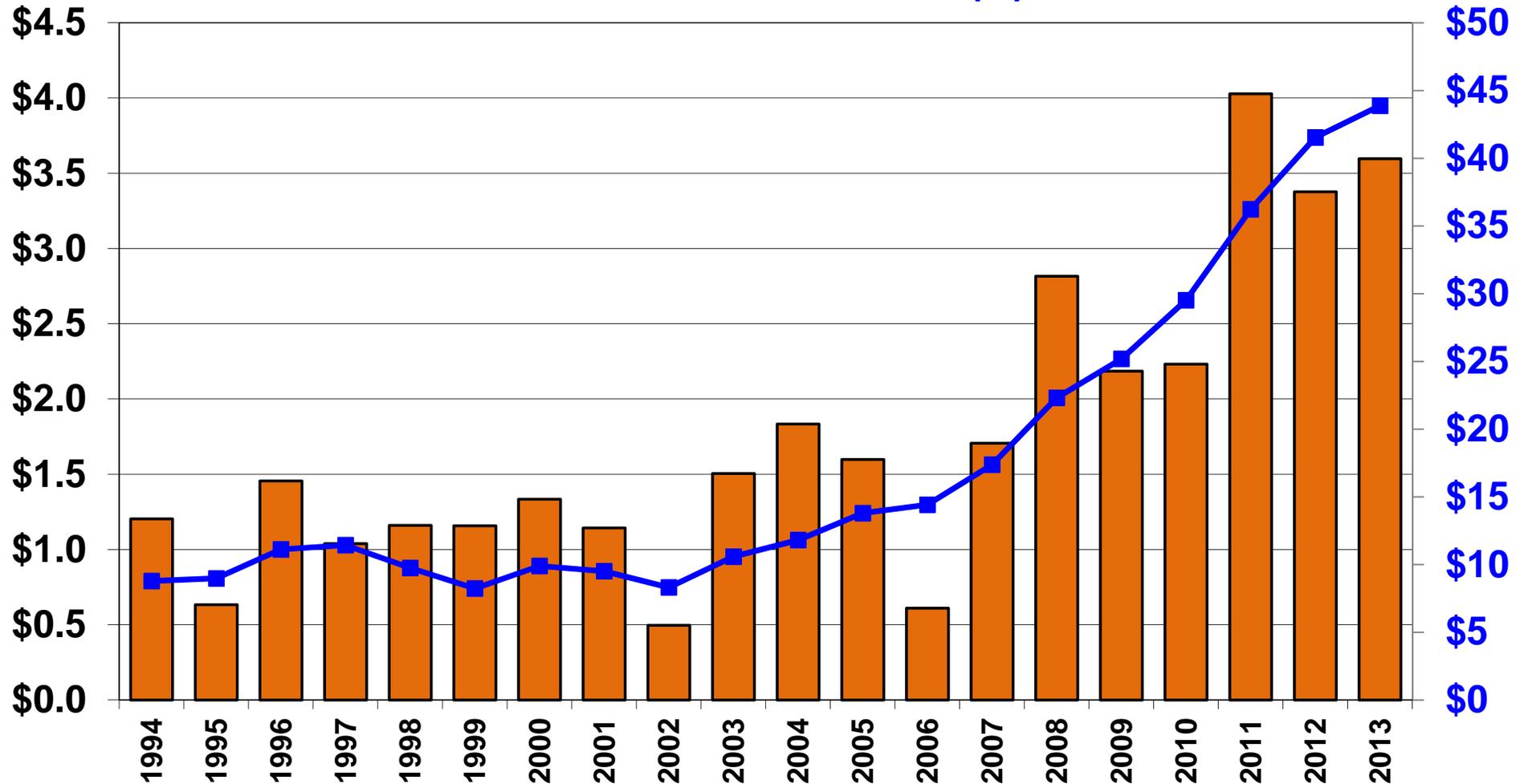


Source: BEA

Farm Income Strong through 2013, Lower Levels expected for 2014

Farm Income Billions

Equipment Tax Collections - Millions

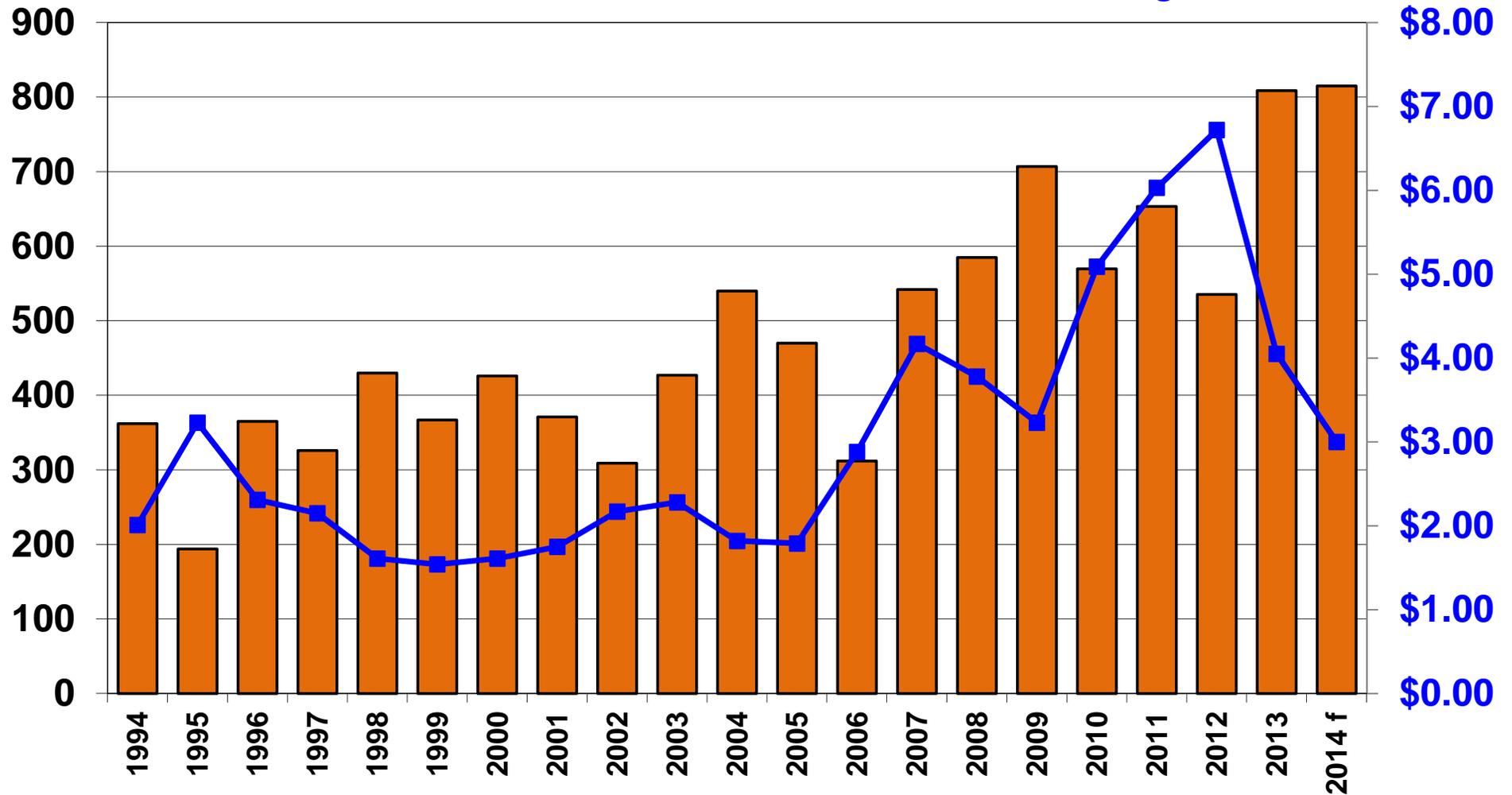


Source: BEA and SD Dept. of Revenue

Record 2014 Corn Production Offset by Lower Prices

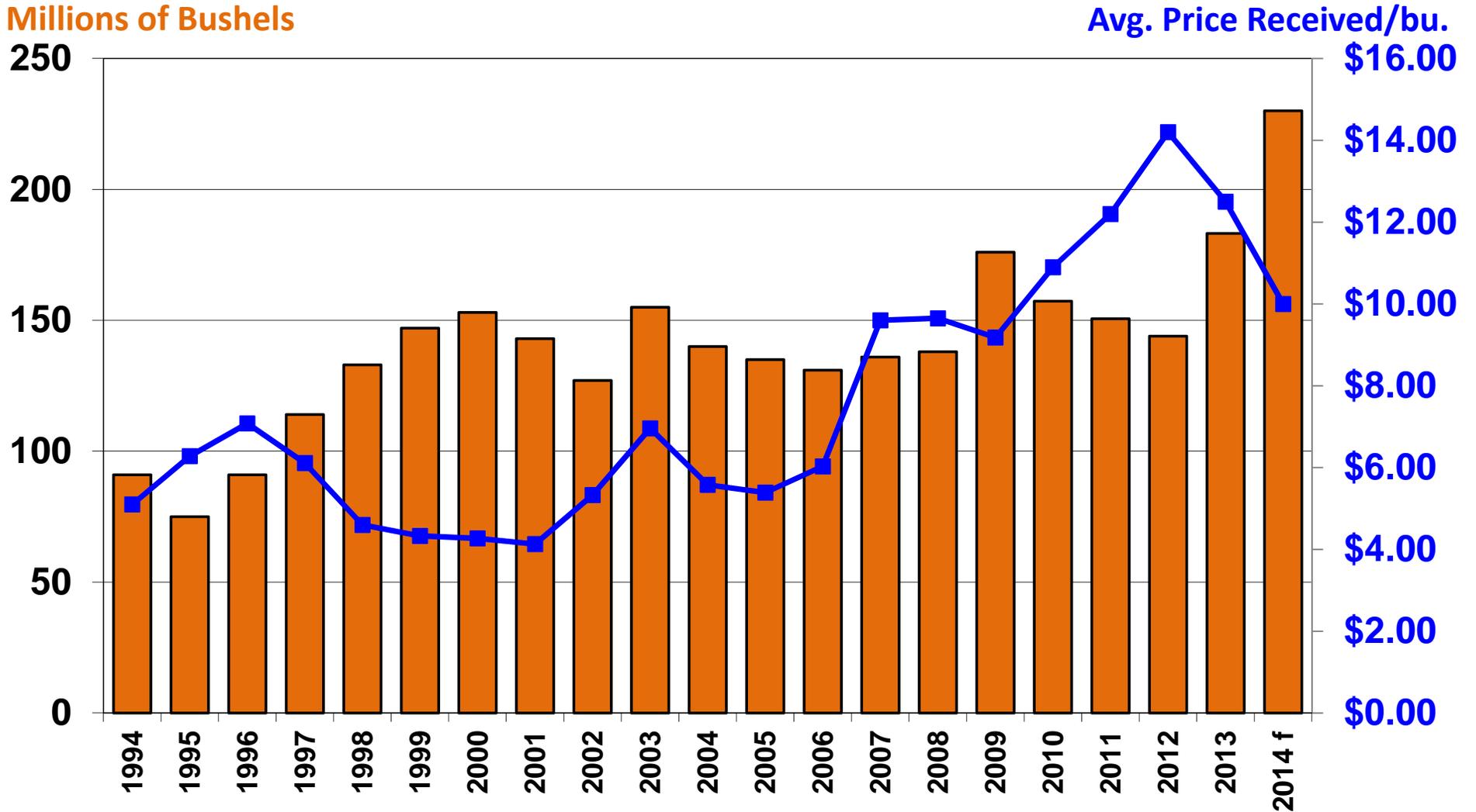
Millions of Bushels

Avg. Price Received/bu.



Source: NASS

Record 2014 Soybean Production, Price Decrease not as Drastic



Source: NASS

Summary

- The United States and South Dakota economies are expected to continue to grow at a moderate pace in 2015, but at growth rates lower than before the great recession.
- Challenges remain at the federal level regarding monetary and fiscal policy. The Federal Reserve has a delicate balancing act over the next several years in terms of normalizing its balance sheet and acting on interest rates.
- The Agriculture sector has been a major boost to overall economic activity in South Dakota the past several years. However, lower crop prices are having downward pressure on farm income in 2014.
- Lower crop prices, transportation issues, and decreasing farm real estate value are concerns looking to 2015 and beyond.

Further Information

Financial Metrics

- <http://bfm.sd.gov/dashboards/Default.aspx>

Monthly Economic Update

- <http://bfm.sd.gov/econ/current.pdf>

Dr. Ralph Brown's Presentation to Governor's Council of Economic Advisors

- http://bfm.sd.gov/econ/GCEA_20141028.pdf

Questions?

Jim Terwilliger

- jim.terwilliger@state.sd.us
- 605-773-3411