

A Look at the COVID-19 Pandemic's Effects on the South Dakota Economy

Richard Cofer Jr., Regional Manager
FDIC, Division of Insurance & Research
Kansas City, MO

August 27, 2020

Disclaimer

The views expressed in this presentation are those of the authors and do not necessarily reflect official positions of the Federal Deposit Insurance Corporation.

Some of the information used in the presentation was obtained from publicly available sources that are considered reliable. However, the use of this information does not constitute an endorsement of its accuracy by the Federal Deposit Insurance Corporation.

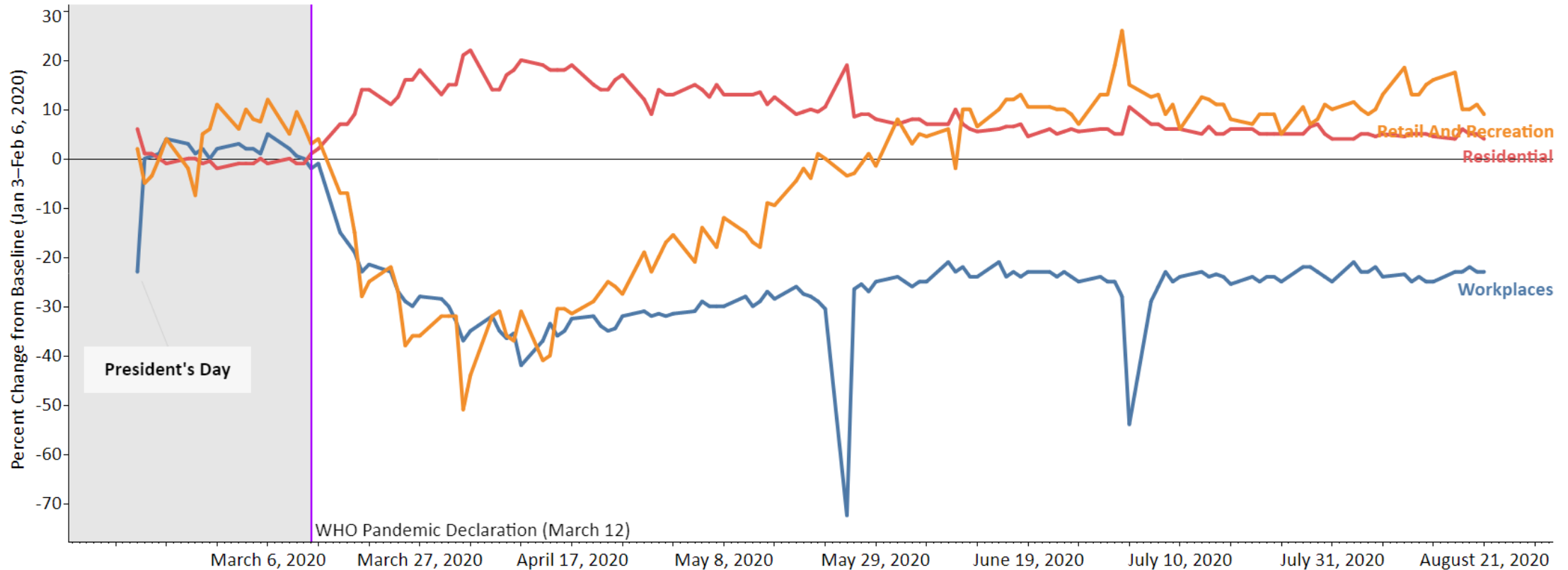
Elapsed Number of Days

- 169
- 167
- 166

COVID-19 Pandemic

South Dakotans have returned to frequenting retail and recreation establishments but not the work office.

Google COVID-19 Community Mobility Report (Mon-Fri)
South Dakota - All



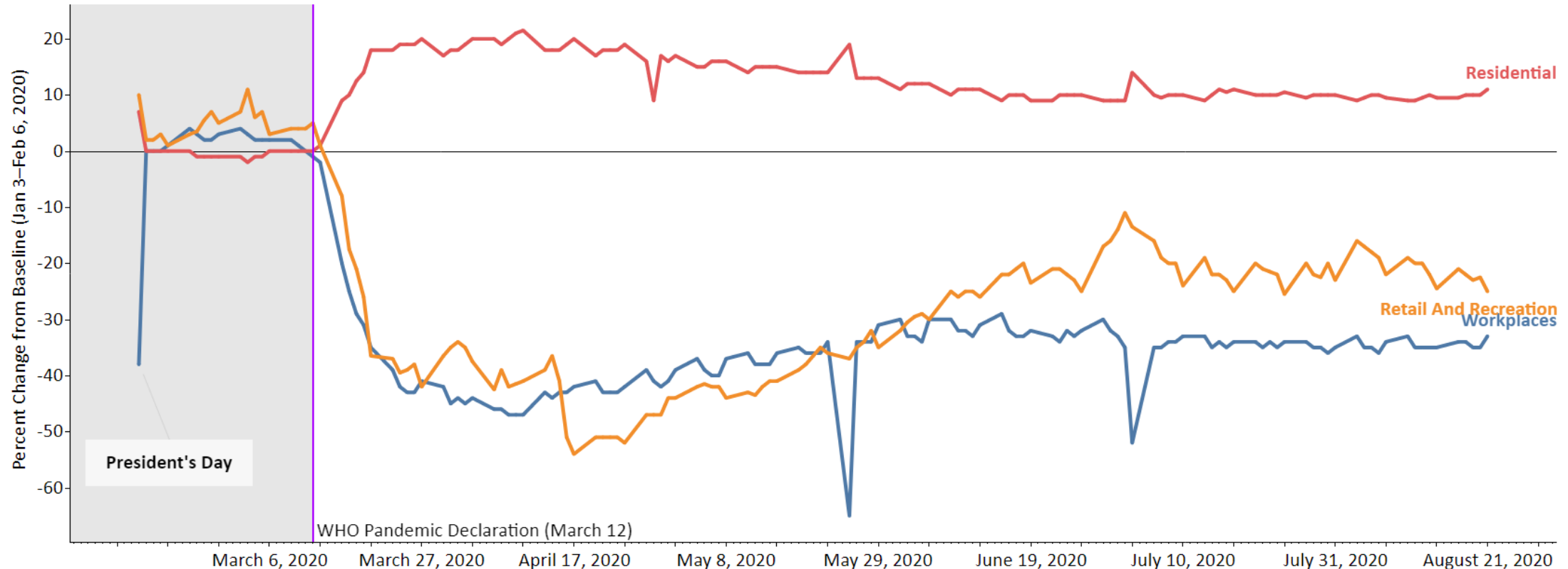
Source: Google LLC "Google COVID-19 Community Mobility Reports". <https://www.google.com/covid19/mobility/> Accessed: 08/26/2020.

Note: The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020.

The line data is the median value for all available counties in the selected geography. If the privacy threshold isn't met (when somewhere isn't busy enough to ensure anonymity) we don't show a change for the day. As a result, you may encounter empty fields for certain places and dates.

Mobility tracking shows a much slower recovery in other areas, including California.

Google COVID-109 Community Mobility Report (Mon-Fri)
California - All



Source: Google LLC "Google COVID-19 Community Mobility Reports". <https://www.google.com/covid19/mobility/> Accessed: 08/26/2020.

Note: The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3-Feb 6, 2020.

The line data is the median value for all available counties in the selected geography. If the privacy threshold isn't met (when somewhere isn't busy enough to ensure anonymity) we don't show a change for the day. As a result, you may encounter empty fields for certain places and dates.

Retail and dining establishments have fared better in South Dakota than in other parts of the nation.

South Dakota: Impact of COVID-19 on Employees Working
% Diff fr Baseline

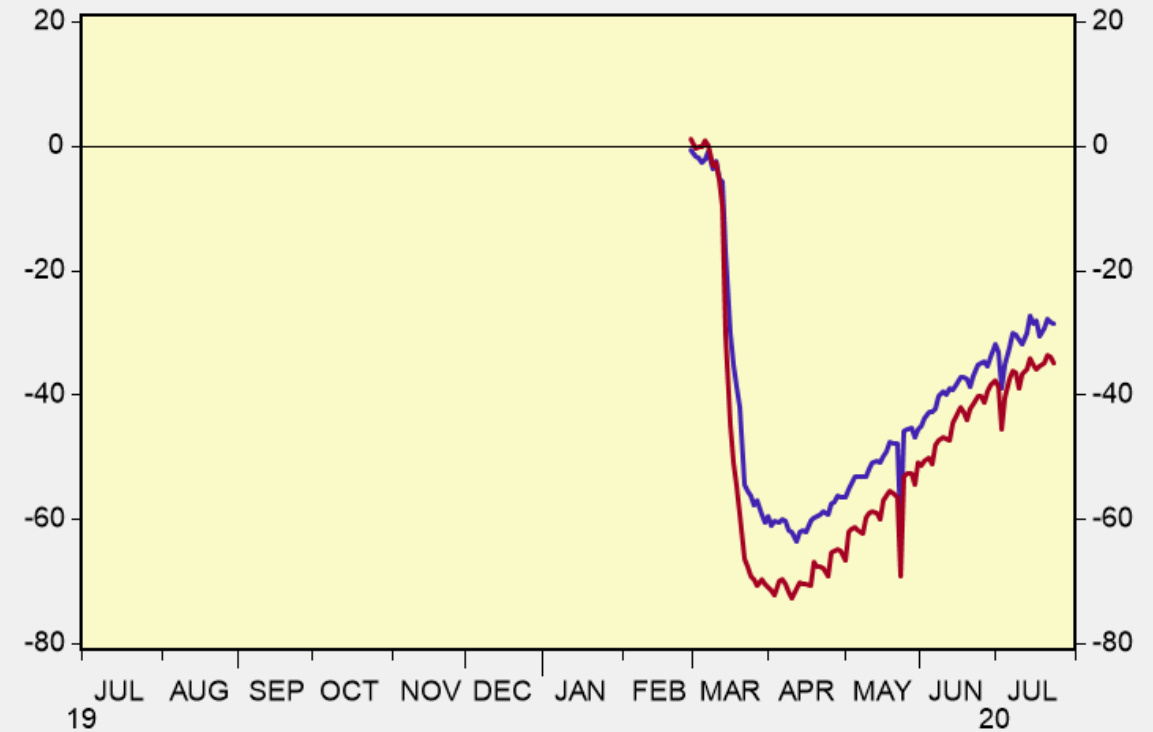
South Dakota: Impact of COVID-19 on Locations Open
% Diff fr Baseline



Source: Homebase/Haver Analytics

New York: Impact of COVID-19 on Employees Working
% Diff fr Baseline

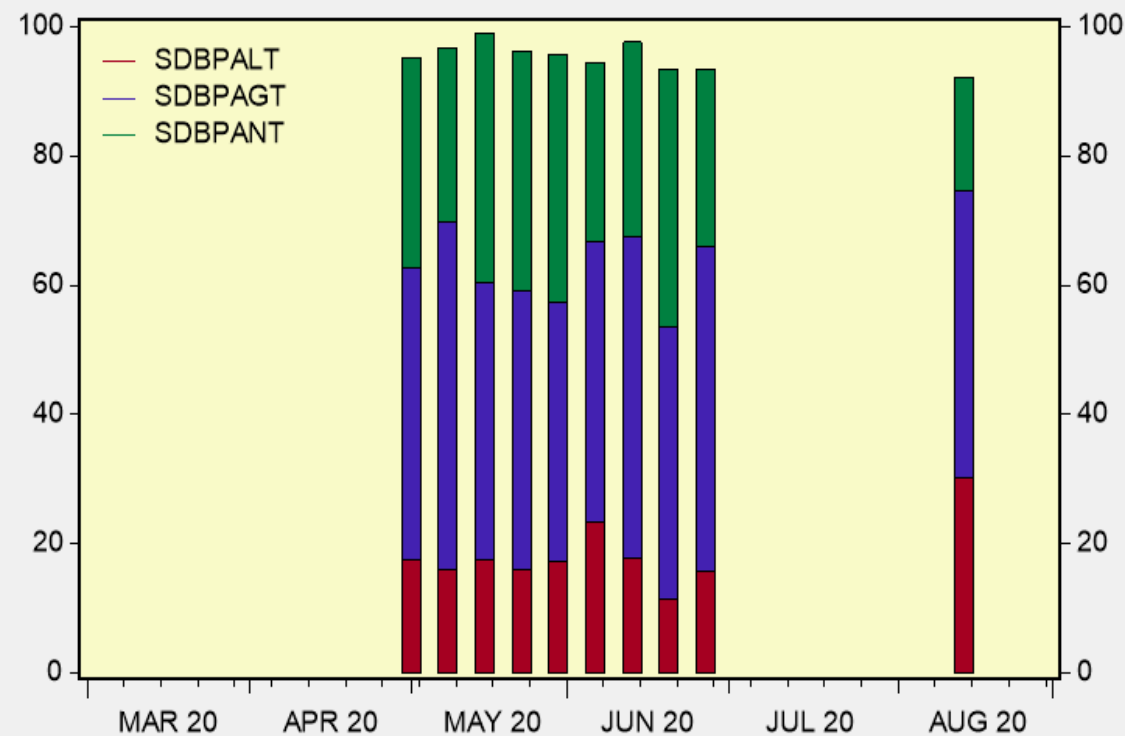
New York: Impact of COVID-19 on Locations Open
% Diff fr Baseline



Source: Homebase/Haver Analytics

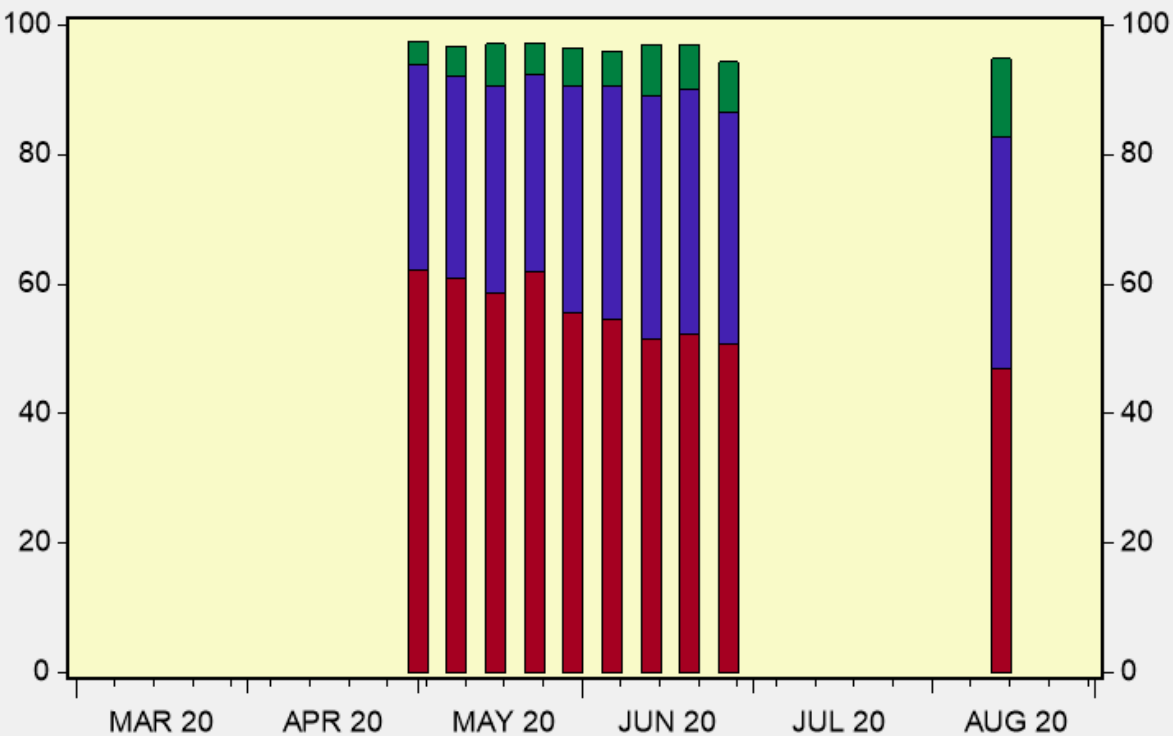
Business operators in South Dakota report less severe pandemic effects on their businesses.

South Dakota: Business Pulse: Pandemic Affect on Business: Little/None ...
South Dakota: Business Pulse: Pandemic Affect on Business: Moderate ...
South Dakota: Business Pulse: Pandemic Affect on Business: Large Neg...



Source: Census Bureau/Haver Analytics

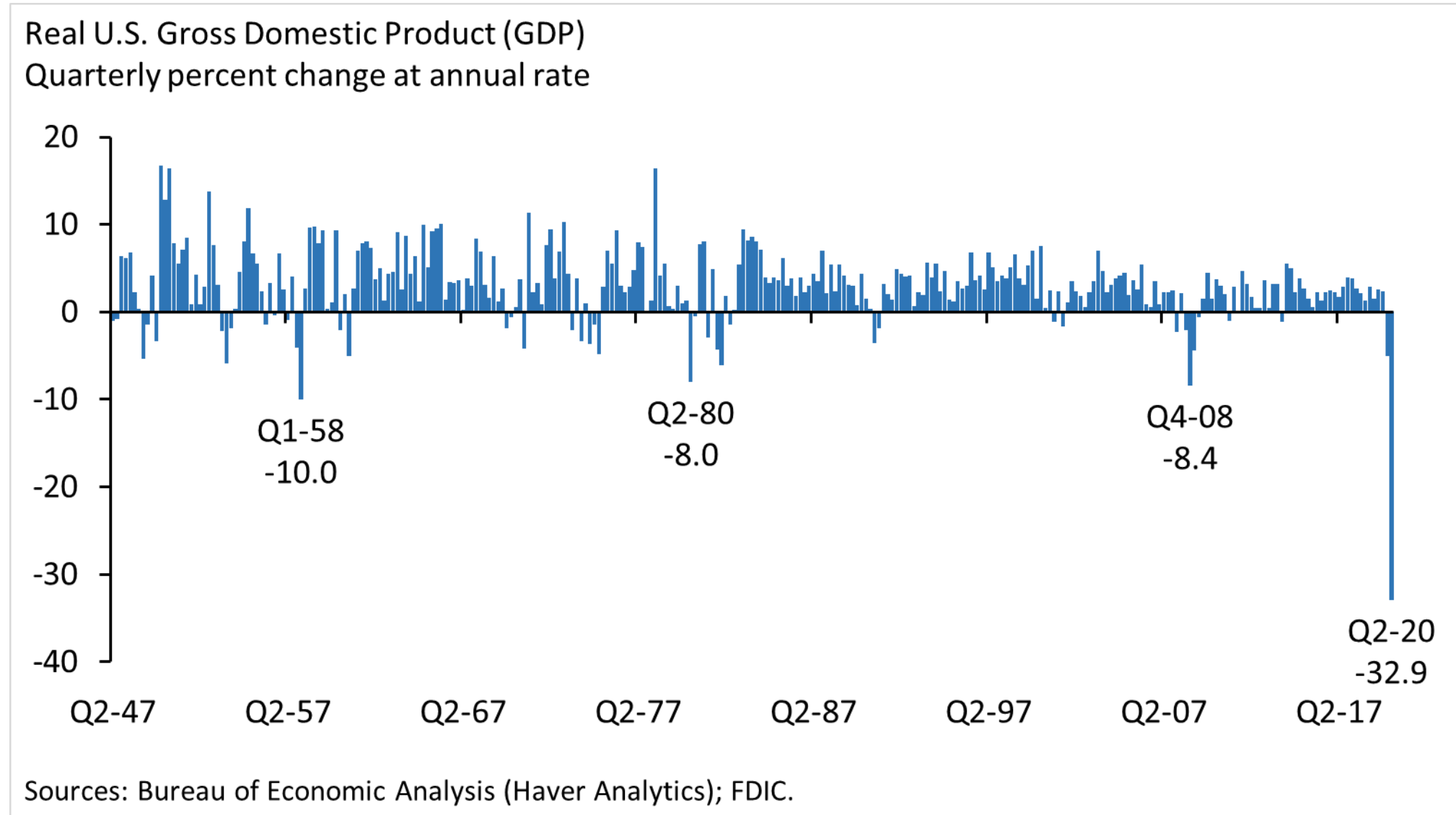
New York: Business Pulse: Pandemic Affect on Business: Large Negative...
New York: Business Pulse: Pandemic Affect on Business: Moderate Neg...
New York: Business Pulse: Pandemic Affect on Business: Little/None (%)



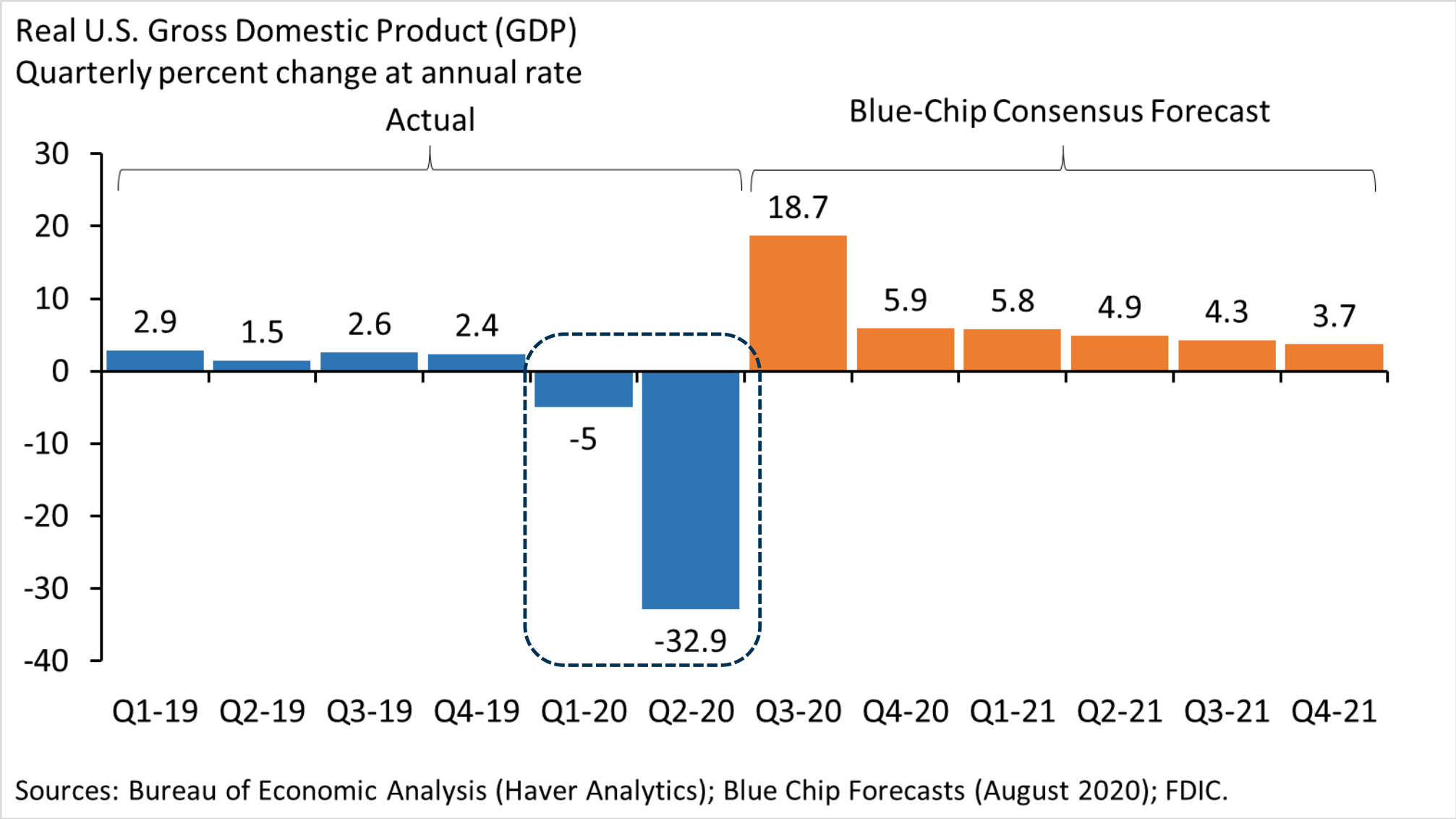
Source: Census Bureau/Haver Analytics

U.S. Macro Economy

The COVID-19 pandemic recession is unparalleled since the Great Depression.

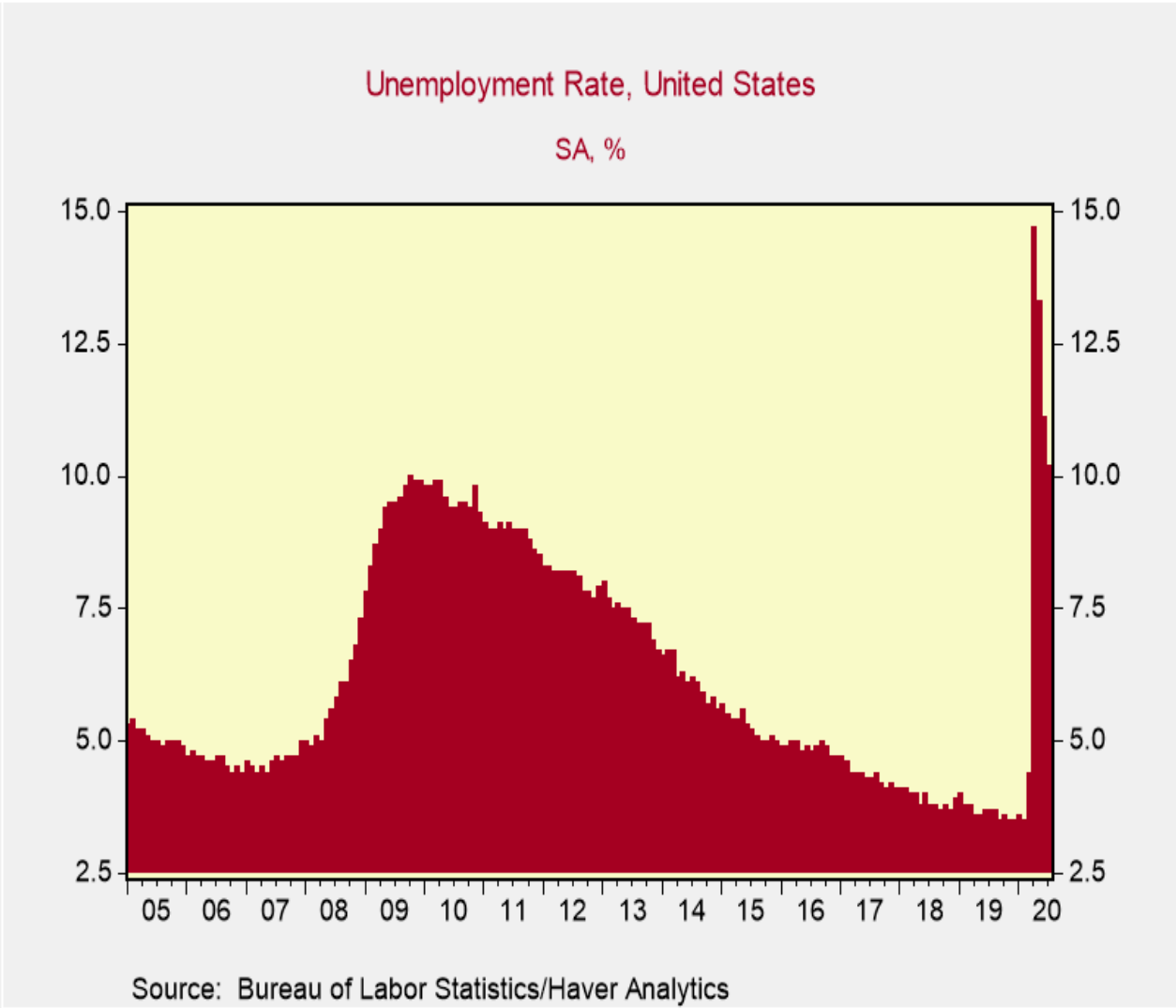
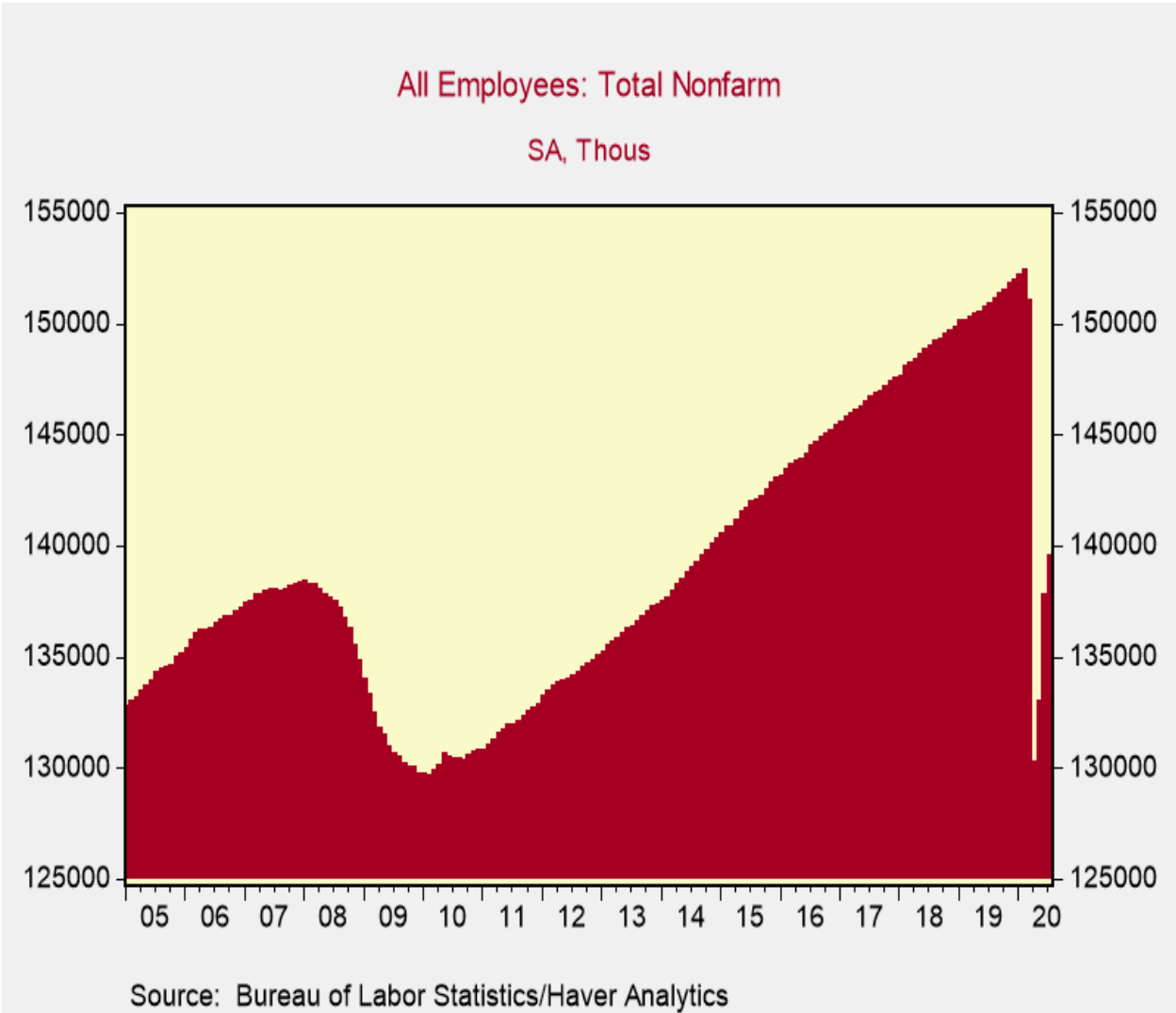


Although massively painful, economists predict this will be a short-lived recession.



Employment and Labor Markets

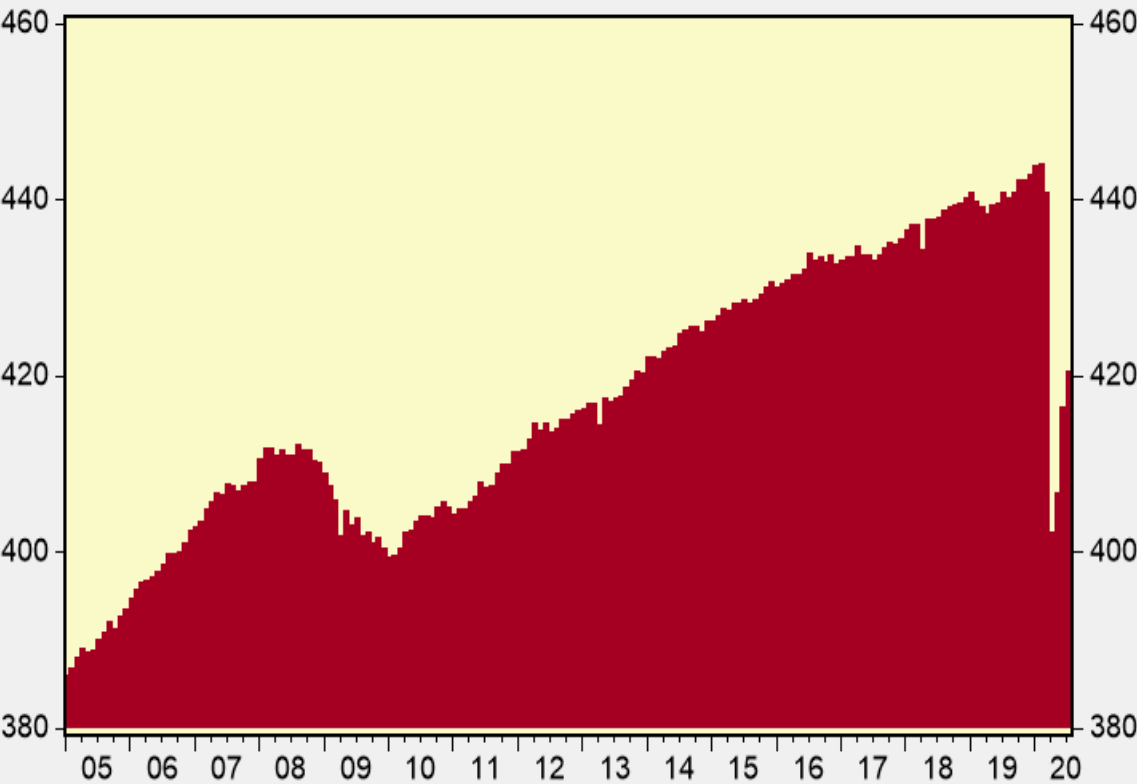
The U.S. lost 22.2 million jobs between February and April 2020, and has since regained 9.3 million jobs through July.



South Dakota lost 41.8 thousand jobs between February and April 2020, and has since regained 18.2 thousand jobs.

All Employees: Total Nonagricultural, South Dakota

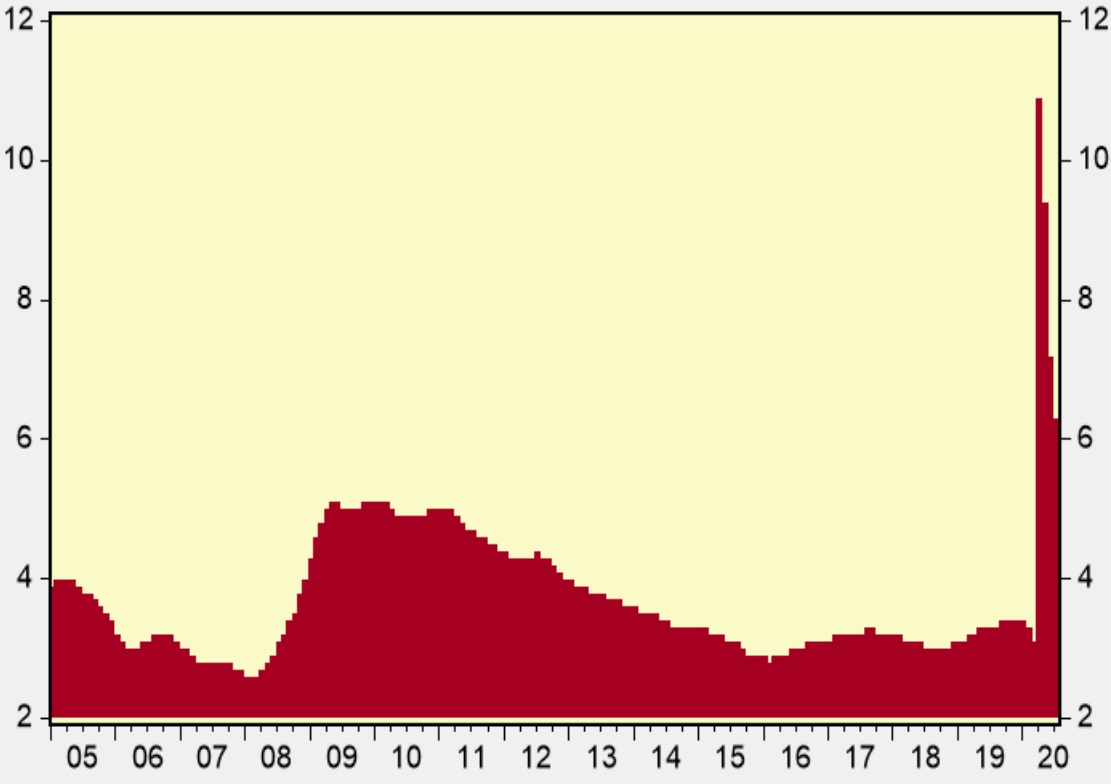
SA, Thous



Source: Bureau of Labor Statistics/Haver Analytics

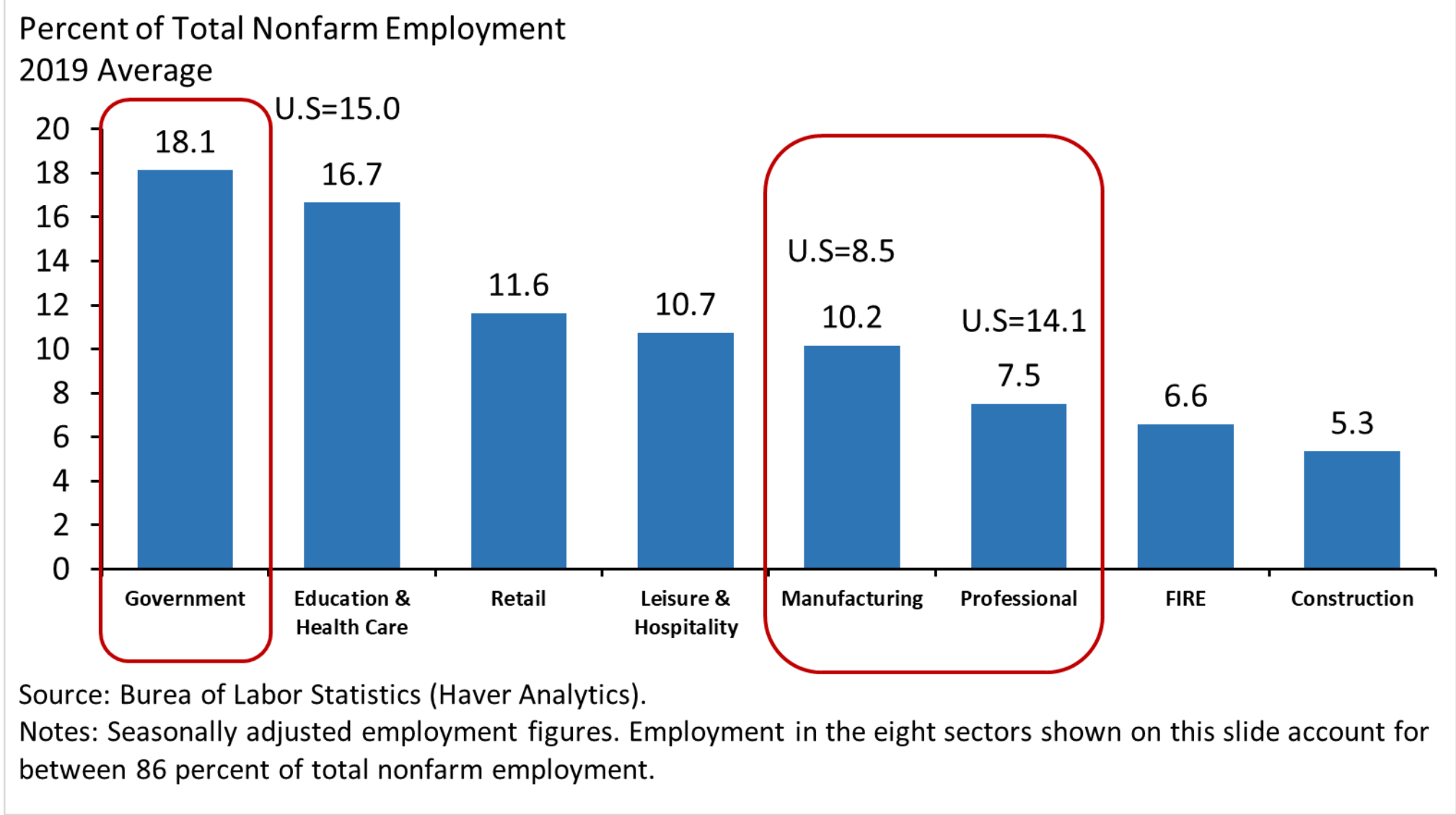
Unemployment Rate, South Dakota

SA, %

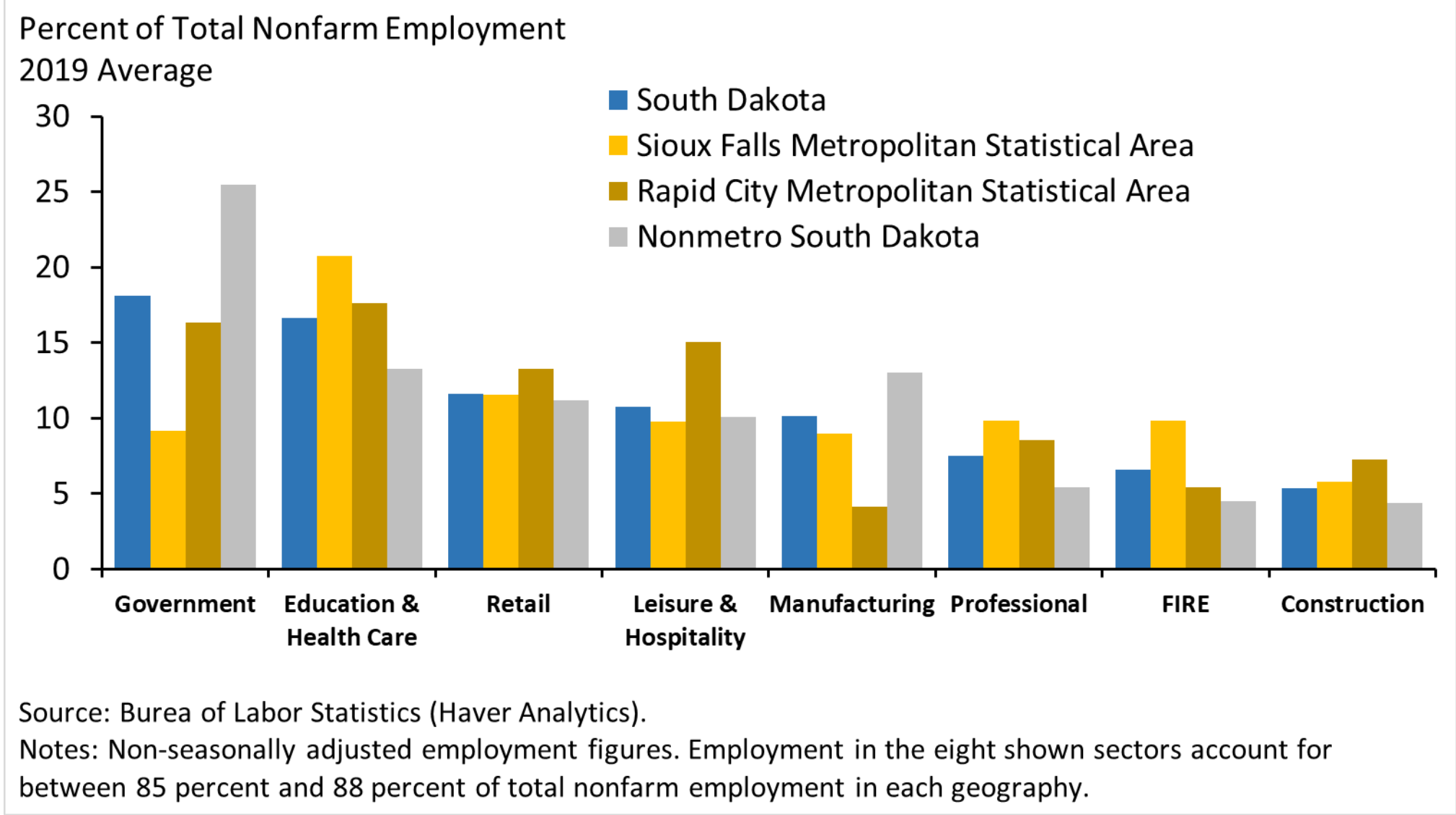


Source: Bureau of Labor Statistics/Haver Analytics

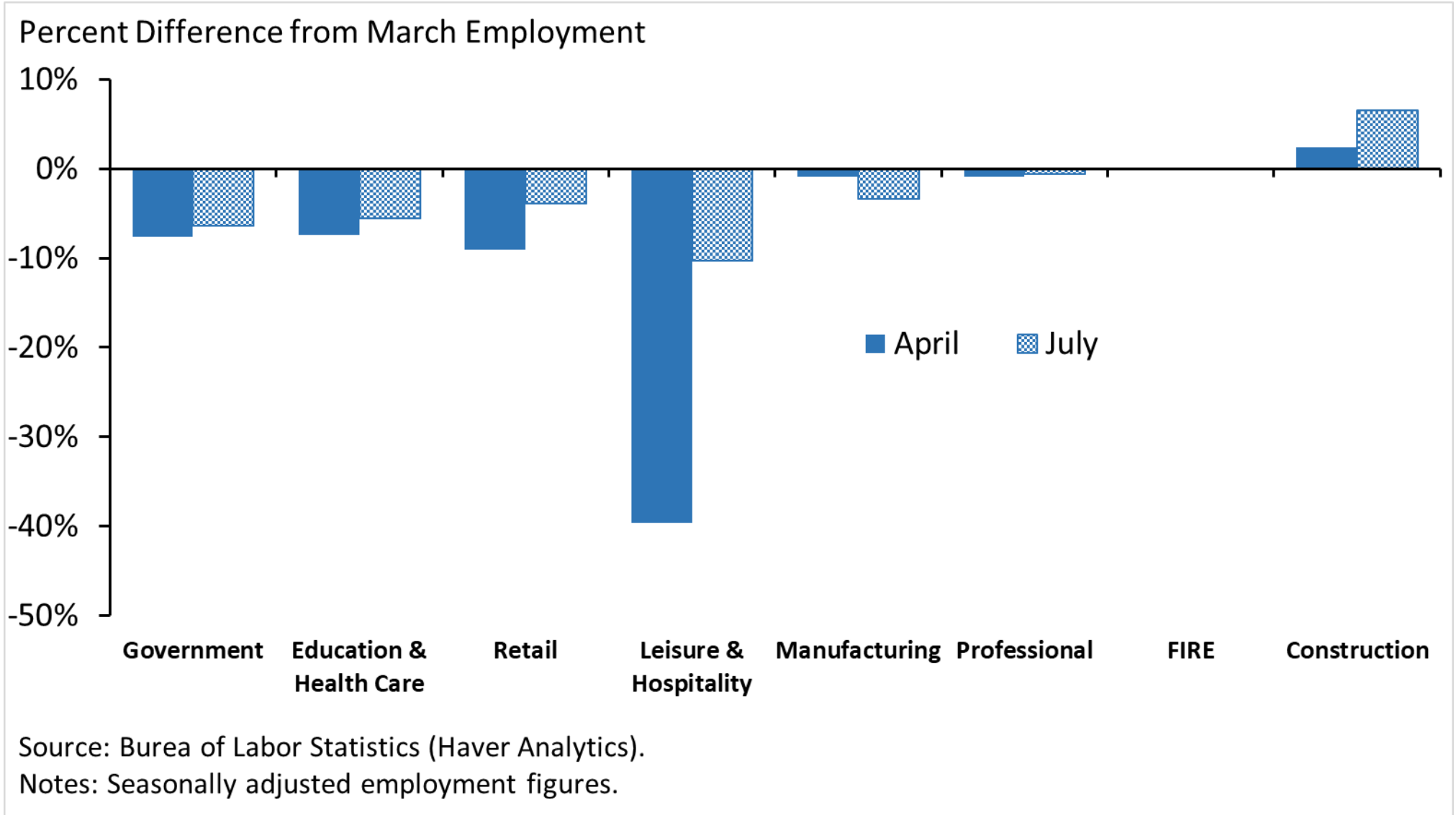
South Dakota labor sectors by share of total nonfarm employment.



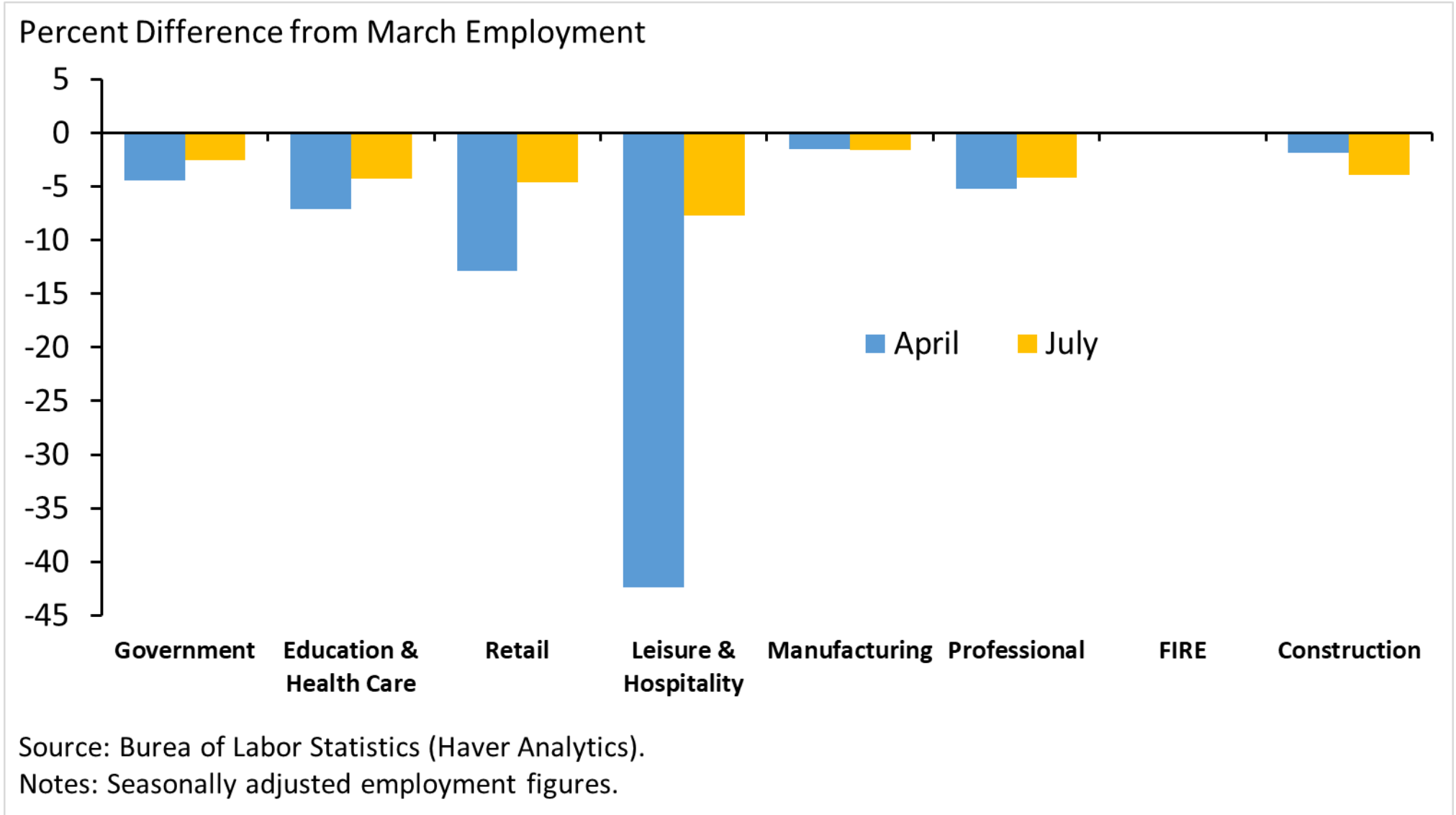
Labor sector mix – South Dakota metro and nonmetro areas.



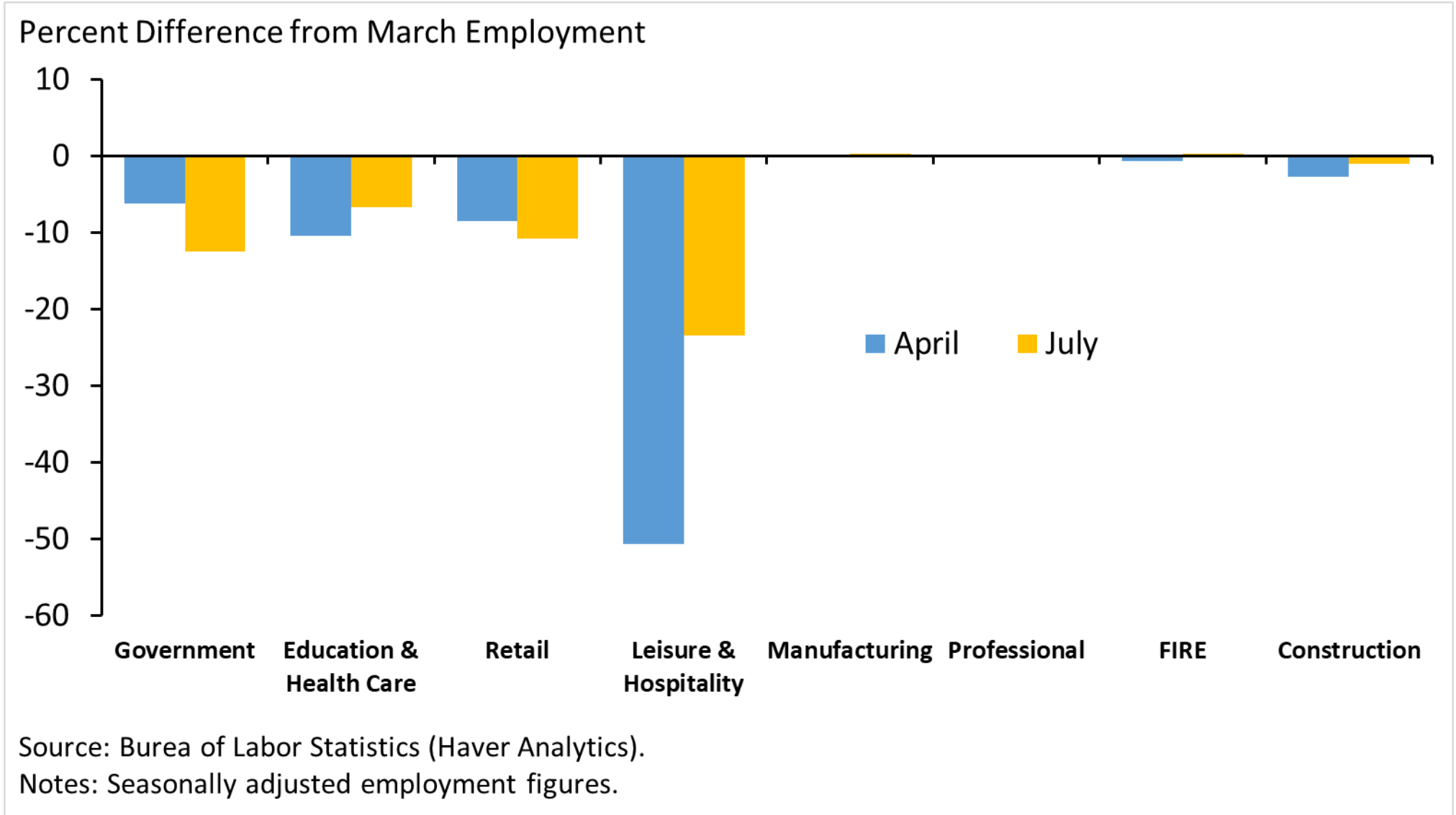
The bulk of job losses in South Dakota have been concentrated in the leisure and hospitality sector.



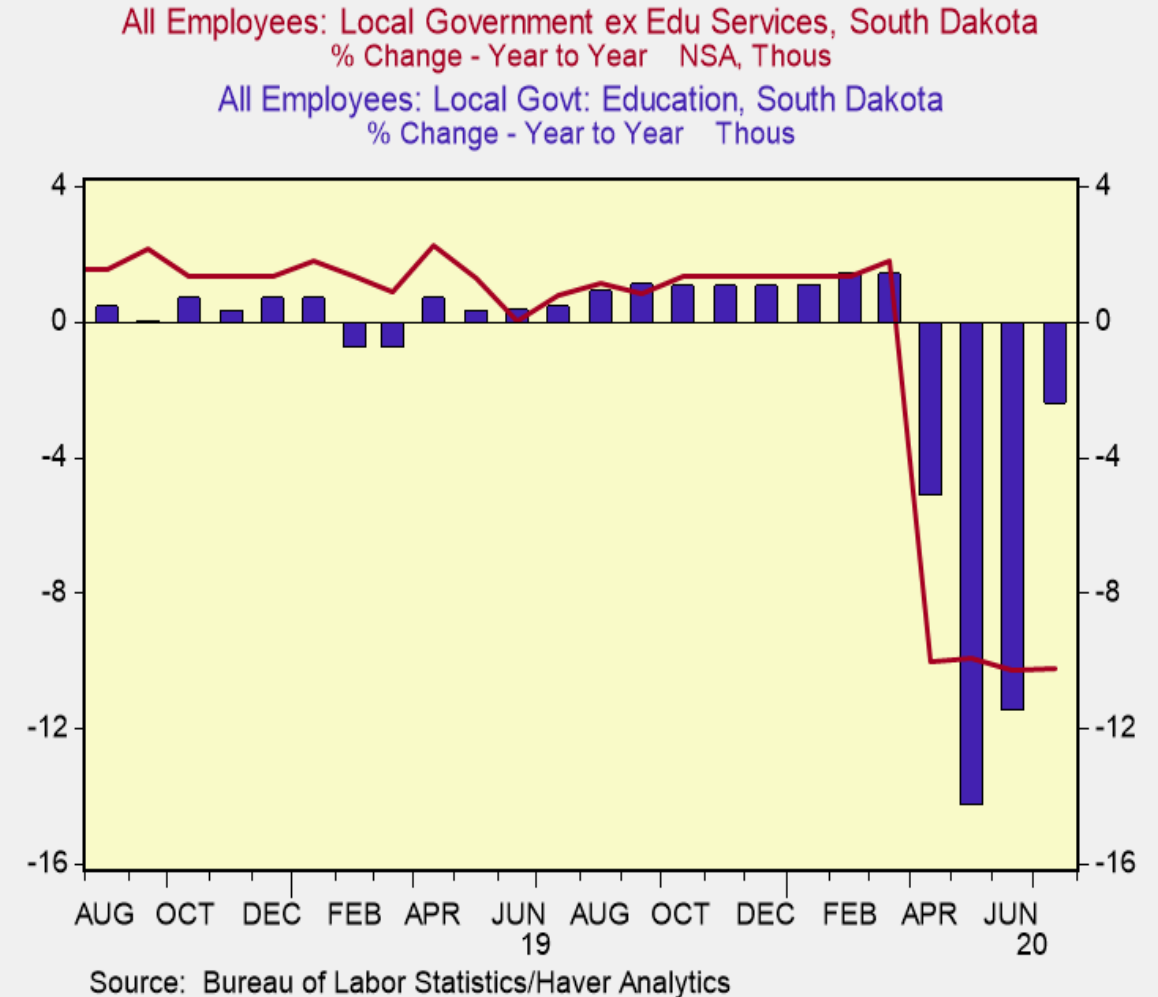
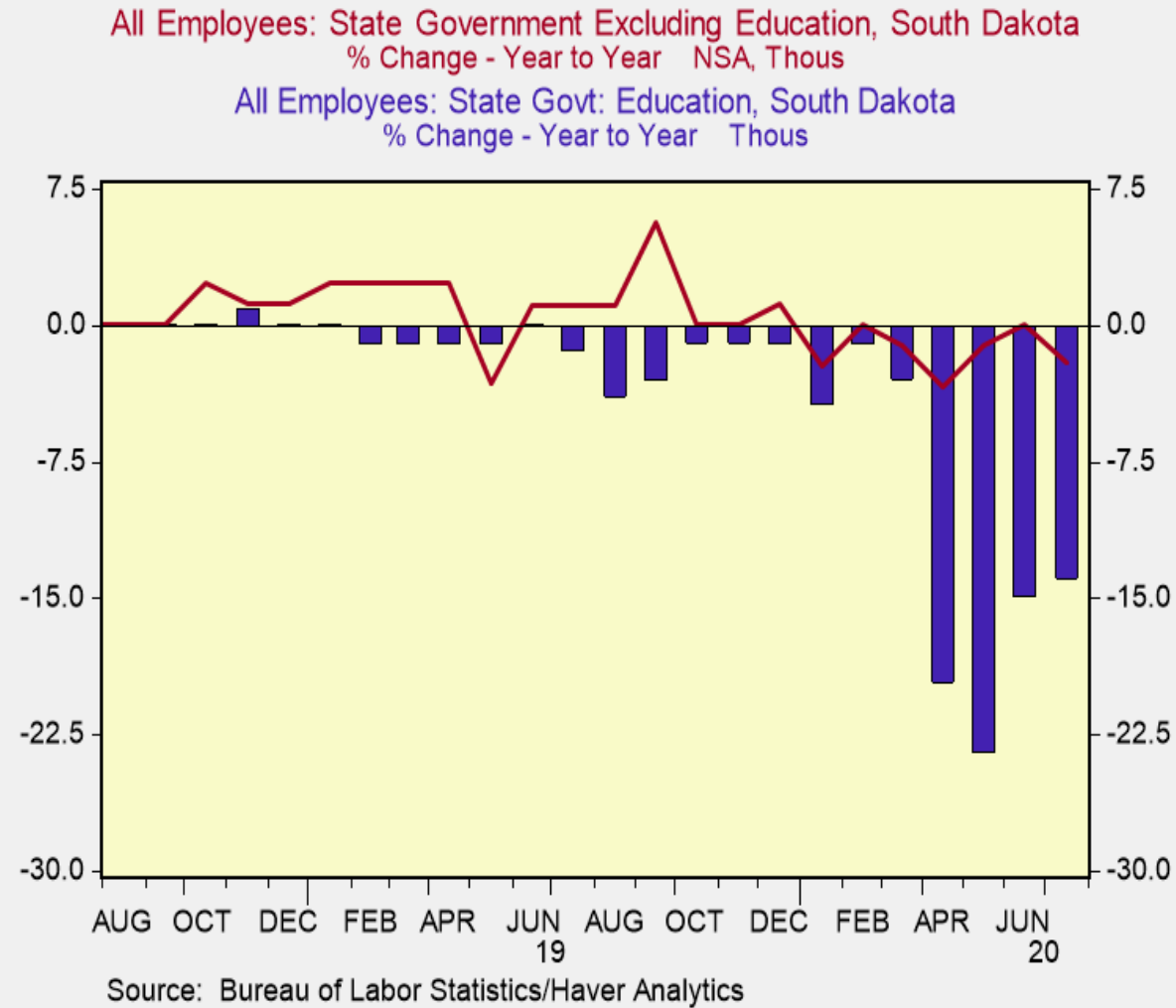
Sioux Falls job losses are concentrated in the retail and leisure and hospitality sectors.



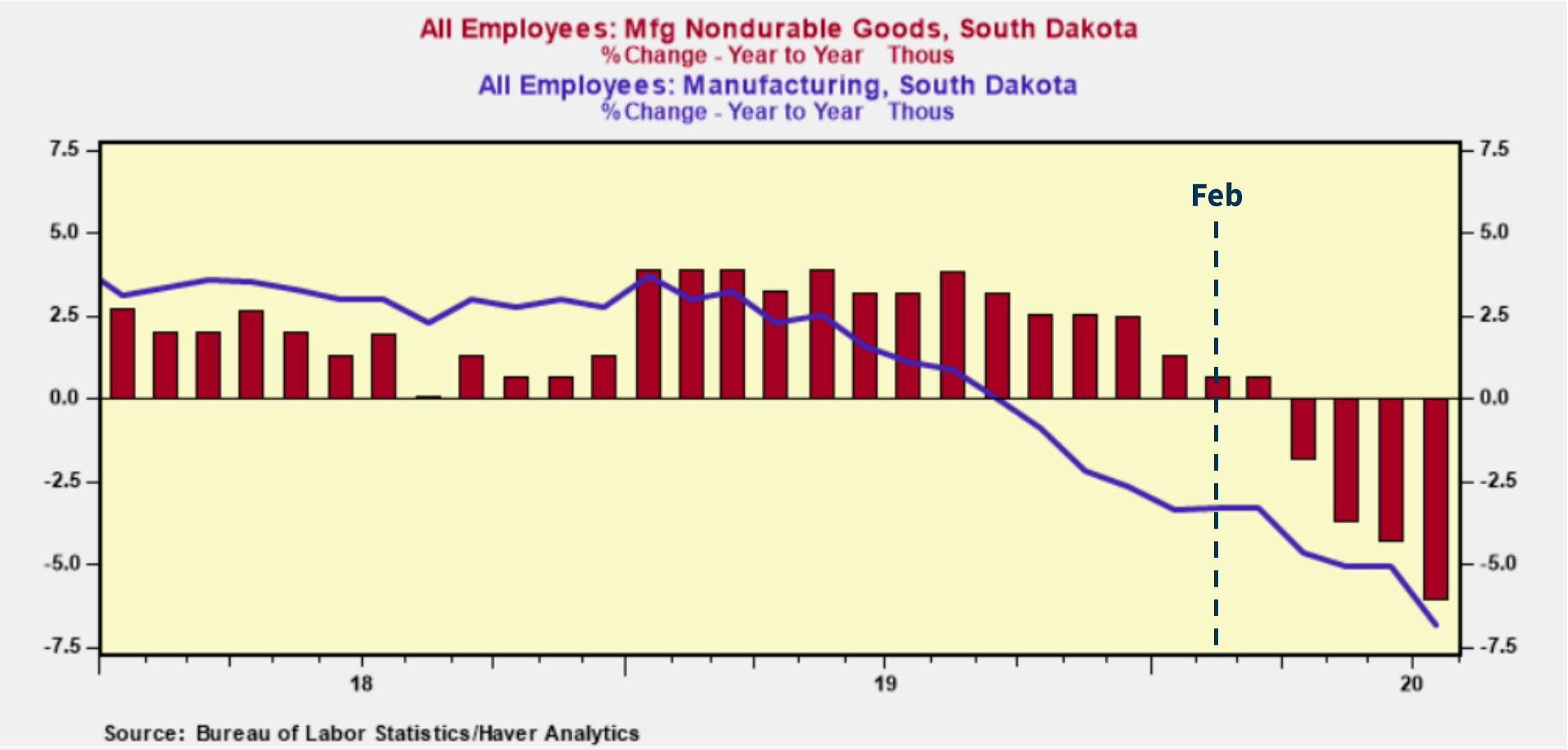
Rapid City job losses are concentrated in the leisure and hospitality sector.



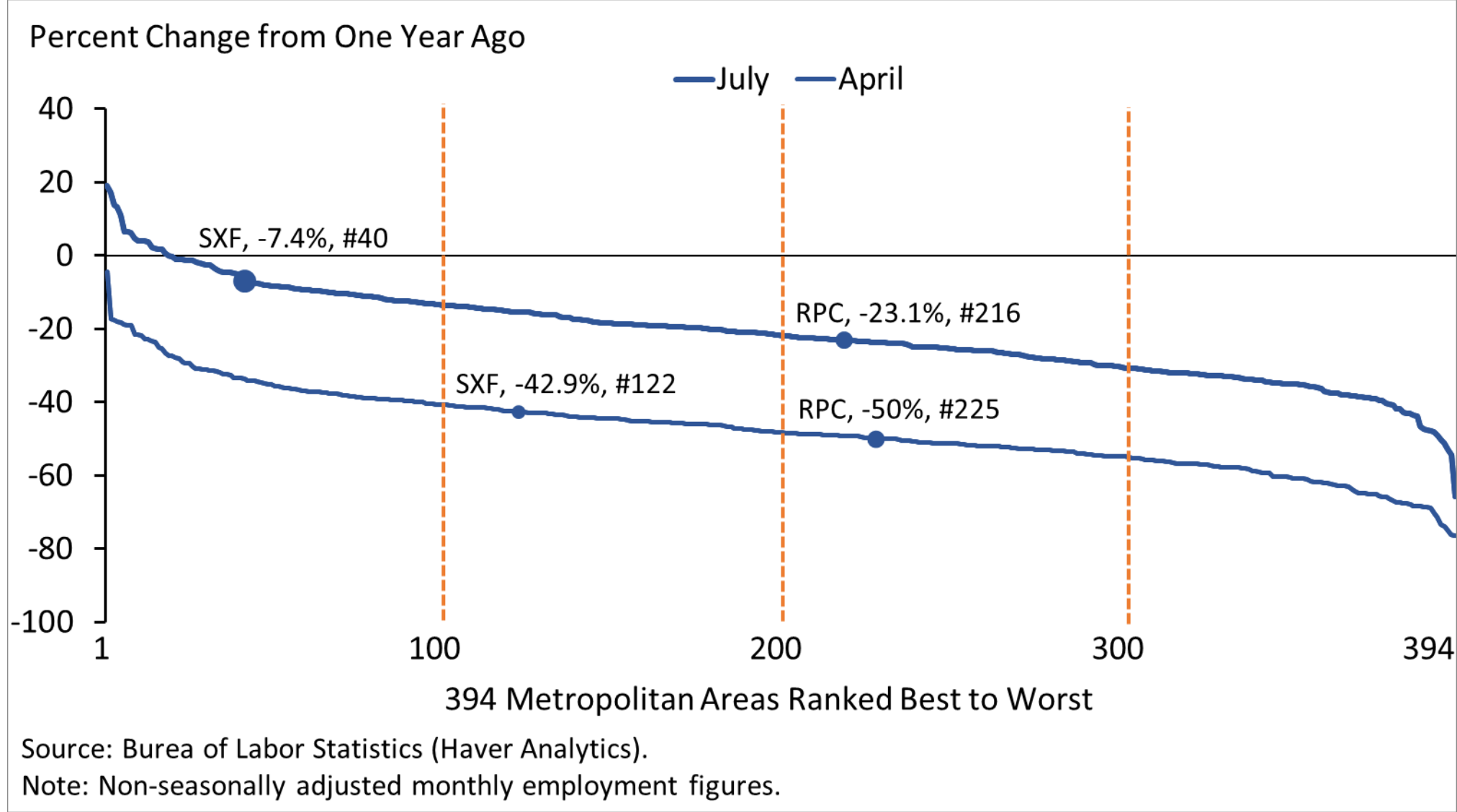
State and local government have both shed jobs, but vary in degree and type.



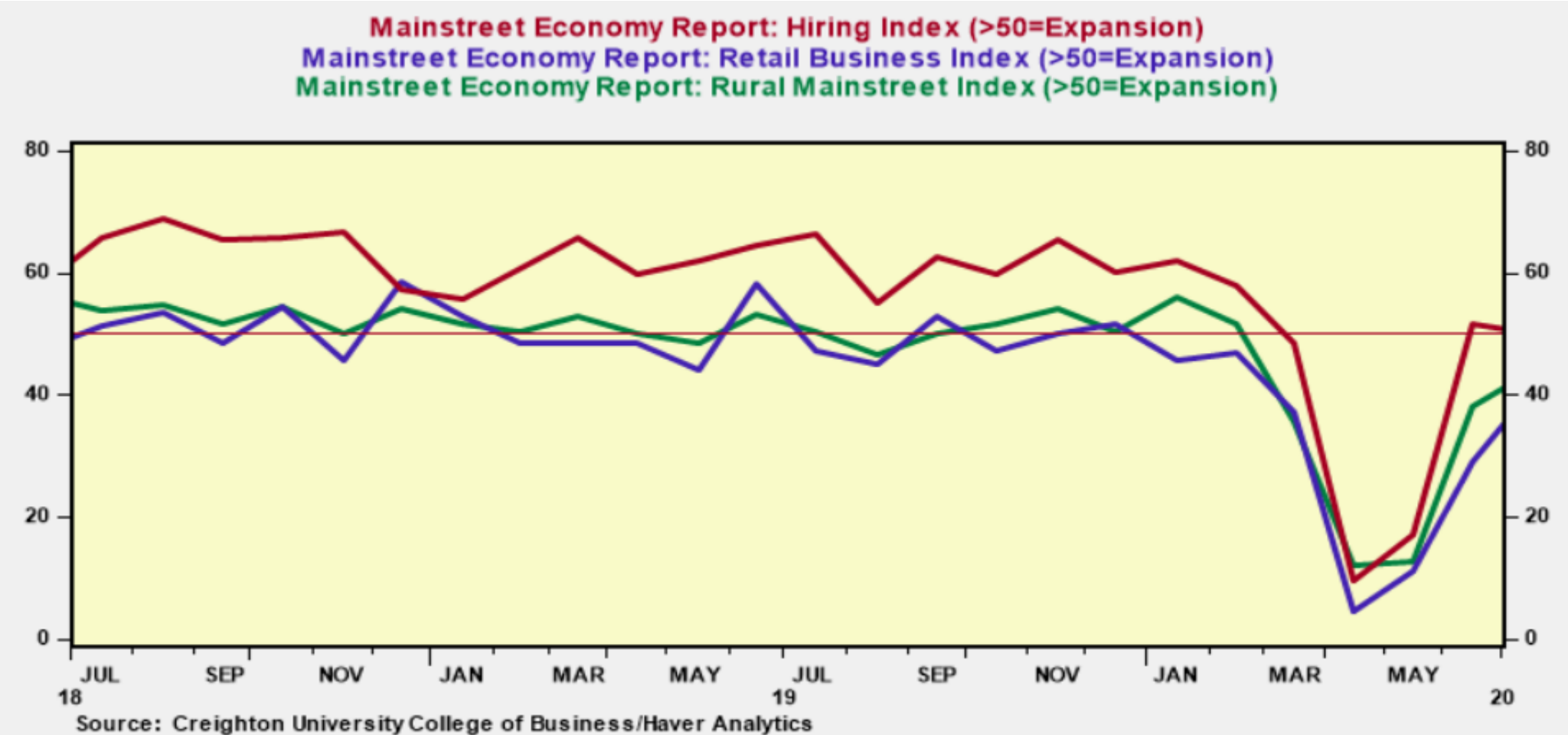
Manufacturing employment had been trending downward before the pandemic.



Putting leisure and hospitality employment declines of Rapid City and Sioux Falls into a national perspective.

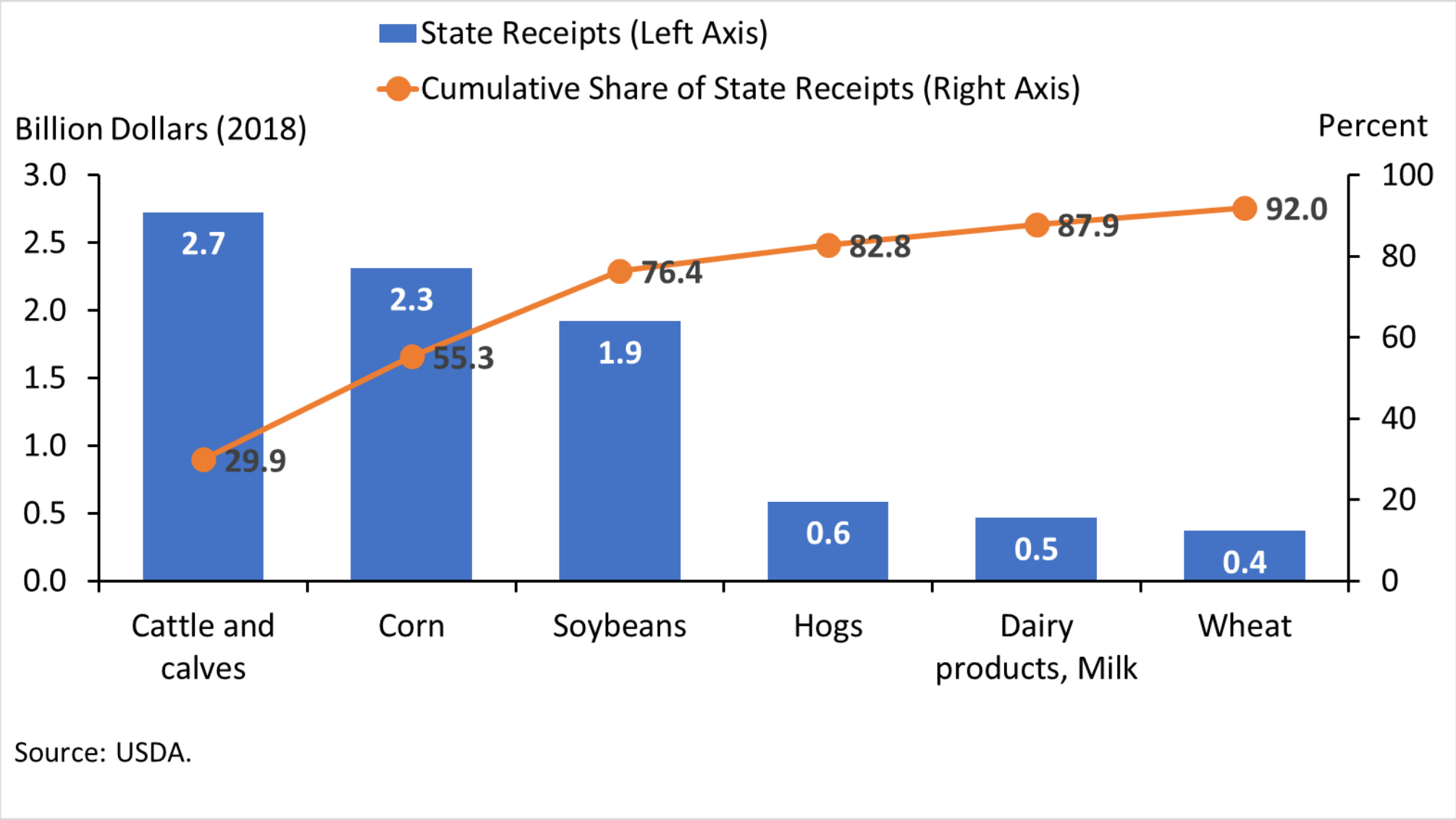


Small rural community bankers report that conditions on Main Street are depressed but improving.



Agriculture

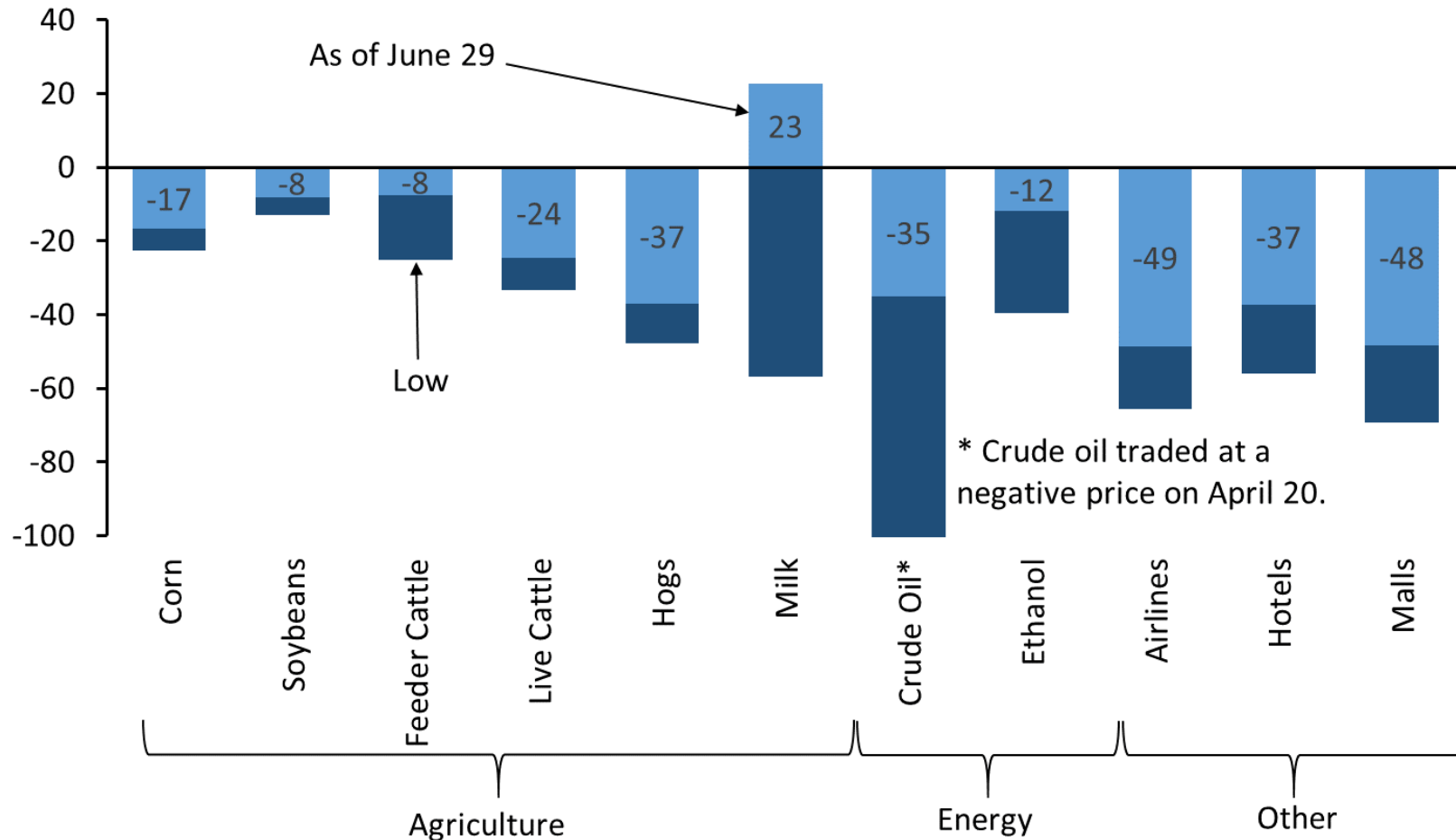
South Dakota agriculture is dominated by cattle, corn, and soybeans.



The human need for nourishment provides agriculture some natural downside protection.

Percentage Change in Price Since January 2.

Percent



Source: Quandl.

Note: Agriculture and energy prices are based on front-month futures prices. Airline and hotel prices are based on Dow Jones stock indexes. Malls is based on average stock price of two major mall REITs.

Two additional points to consider:

- The demand recovery for ag could be stronger and sooner than in other sectors.
- International trade offers ag an outlet that does not exist for all hard-hit sectors.

Hits to demand and mismatches and bottlenecks in the food delivery system caused ag commodity prices to decline.

School, restaurant, and other commercial food service closures reduced demand and created mismatches in the food delivery chain.

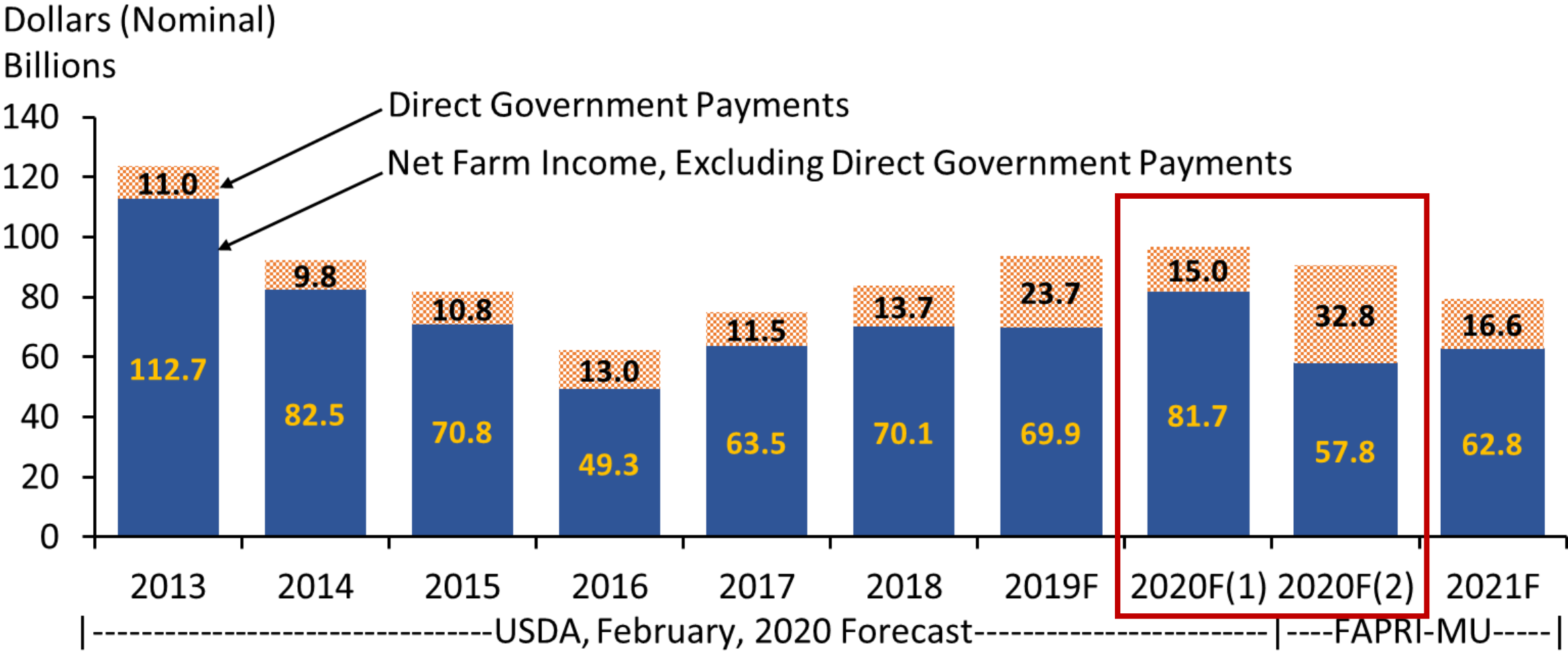
- Perishable milk and produce.
- Commercial packaging and labeling.

Efforts to control COVID-19 infections among meat processing plant workers create processing bottlenecks.

- At its worst period, beef and pork processing was down by more than 40 percent.
- April 28, 2020 Executive Order – processing has rebounded but is still below pre-pandemic levels and does not address the back-log that was created.
- Euthanizing animals has been minimal so far, but that could change.

The pandemic's damage to farm revenues is expected to be large, but federal support will provide substantial relief.

Net Farm Income



Sources: USDA, Food and Agricultural Policy Research Institute, University of Missouri (FAPRI-MU).
Notes: F indicates forecast. USDA's 2020 forecast (1) is as of February, 2020; FAPRI-MU's 2020 forecast (2) is as of June, 2020.

South Dakota farmers have received nearly half a billion dollars in direct payments under the USDA CFAP.

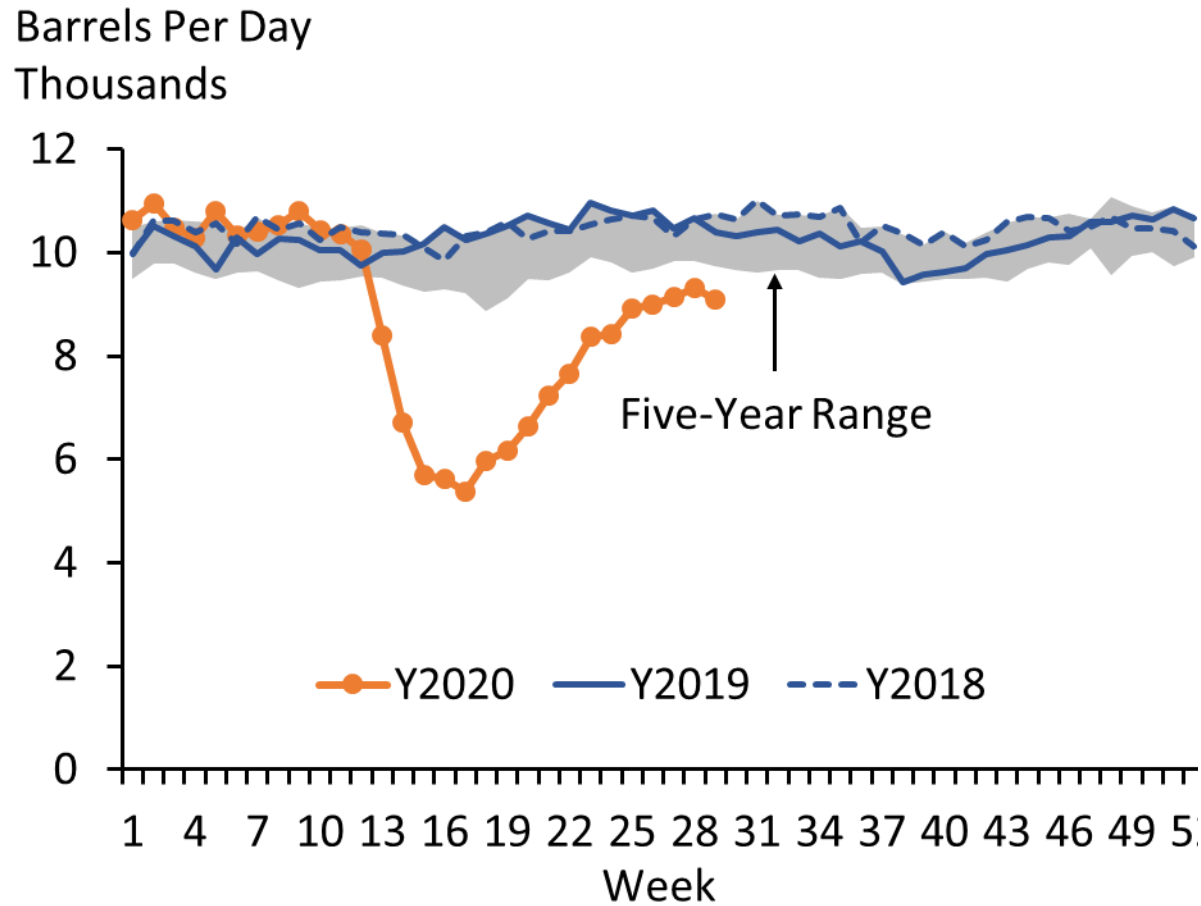
USDA Coronavirus Food Assistance Program
Direct Payments Approved
Updated August 24, 2020

State	Non-specialty Crops		Specialty Crops		Livestock		Dairy		Total	
	Payments	Rank	Payments	Rank	Payments	Rank	Payments	Rank	Payments	Rank
Iowa	\$415,289,416.00	1	\$57,359.98	45	\$454,484,859.10	1	\$51,275,534.28	8	\$921,107,169.36	1
Kansas	\$102,906,549.20	8	\$246,533.71	38	\$314,711,014.30	6	\$13,114,677.67	23	\$430,978,774.88	9
Minnesota	\$228,876,364.60	4	\$411,418.04	32	\$238,557,601.50	8	\$105,382,263.20	4	\$573,227,647.34	3
Missouri*	\$95,729,961.41	9	\$719,871.61	30	\$246,570,190.80	7	\$9,383,327.66	29	\$352,785,041.41	10
Nebraska	\$255,478,323.50	3	\$762,495.26	28	\$397,131,212.10	3	\$10,404,151.77	27	\$663,776,182.63	2
North Dakota	\$114,895,781.30	7	\$7,562,873.46	13	\$125,459,030.40	11	\$4,467,055.02	35	\$252,384,740.18	12
South Dakota	\$115,174,891.40	6	\$725.00	51	\$319,007,219.70	4	\$15,326,244.84	20	\$449,509,080.94	7
KC Region Total	\$1,328,351,287.41		\$9,761,277.06		\$2,095,921,127.90		\$209,353,254.44		\$3,643,768,636.74	
Pct of U.S. Total	55%		2%		45%		12%		40%	
U.S. Total	\$2,424,527,822.02		\$479,269,768.70		\$4,607,350,438.68		\$1,699,299,989.59		\$9,210,448,018.99	

*Missouri's payment total does not match the sum of the four major commodity sectors as some aquanursery producers have received aid from the expanded CFAP program.

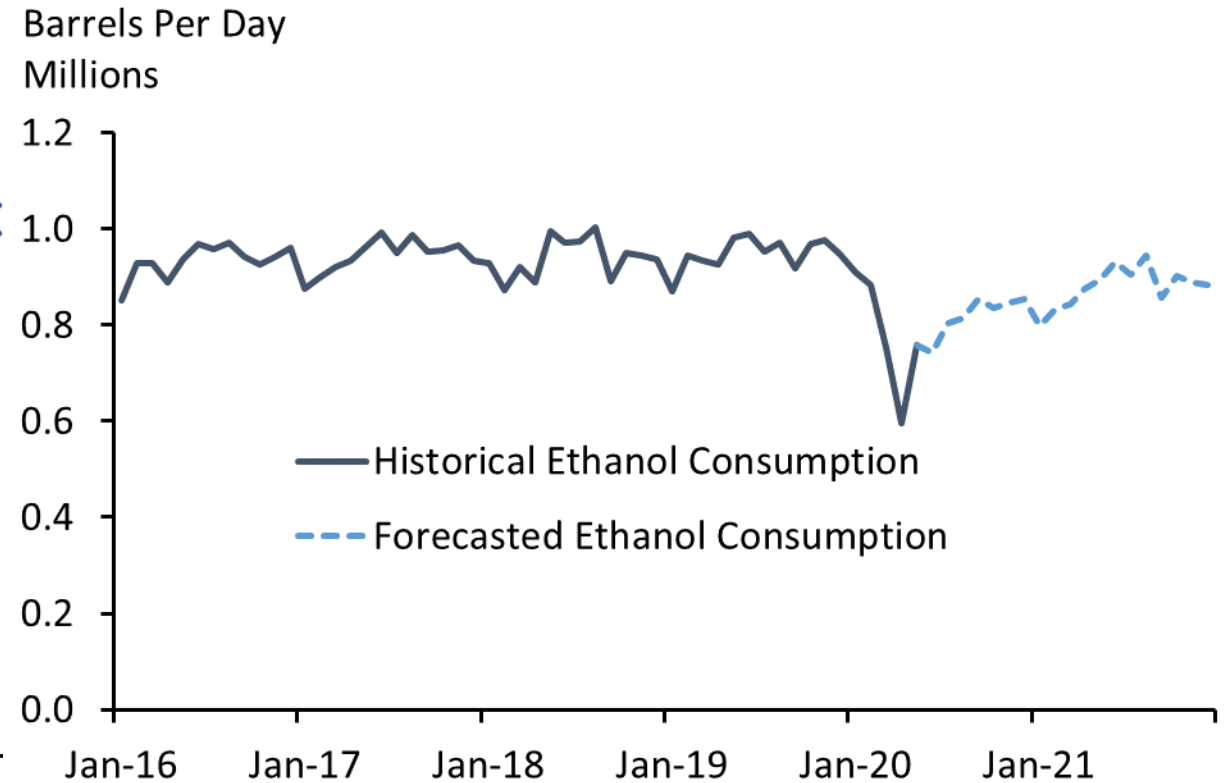
After being hit hard by the pandemic, the ethanol industry has rebounded, but its full recovery remains in question.

Weekly Ethanol Production



Source: U.S. Energy Information Agency.

Ethanol Consumption

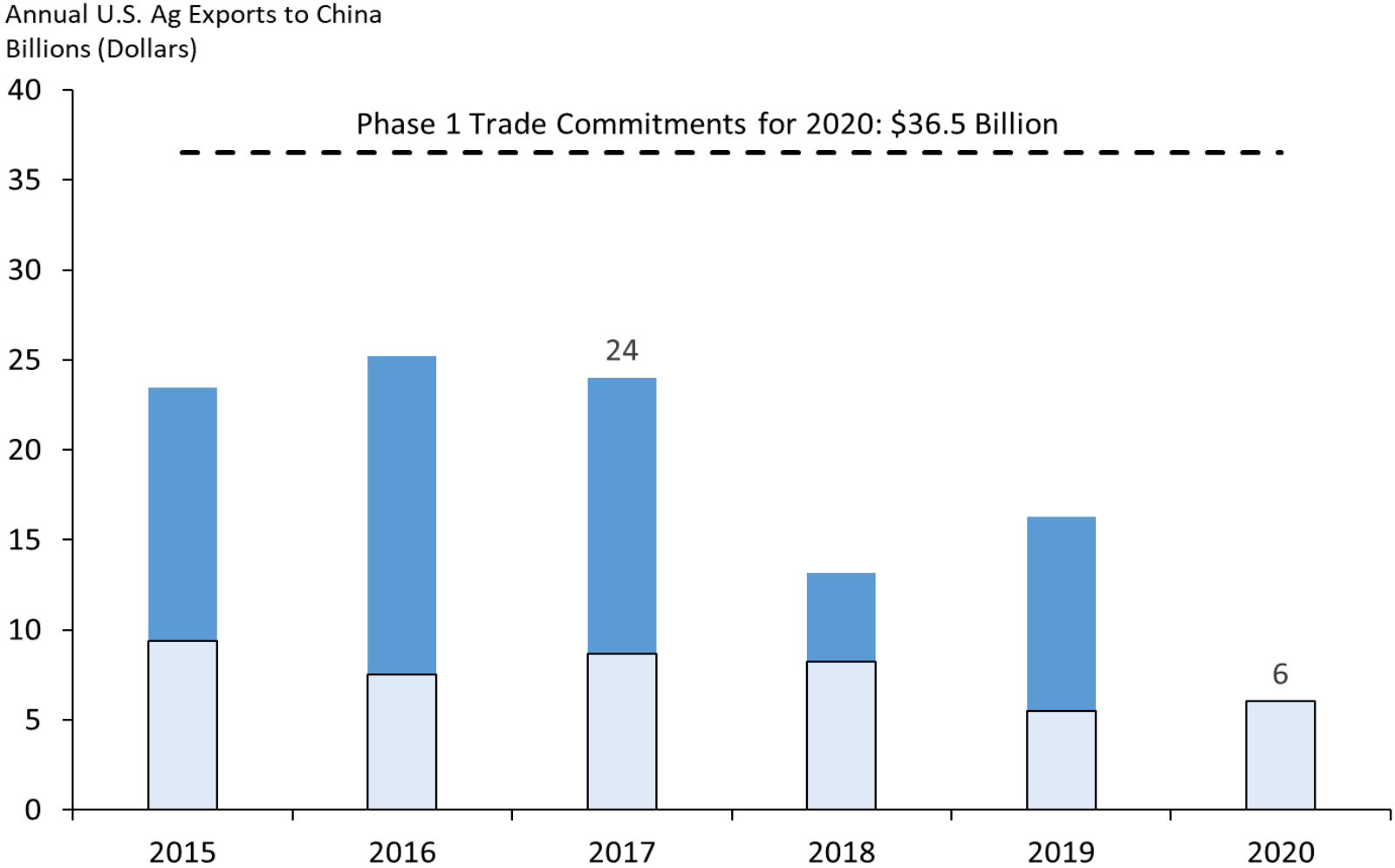


Source: U.S. Energy Information Agency (EIA).

Note: Data are monthly figures from January 2016, through December 2021.

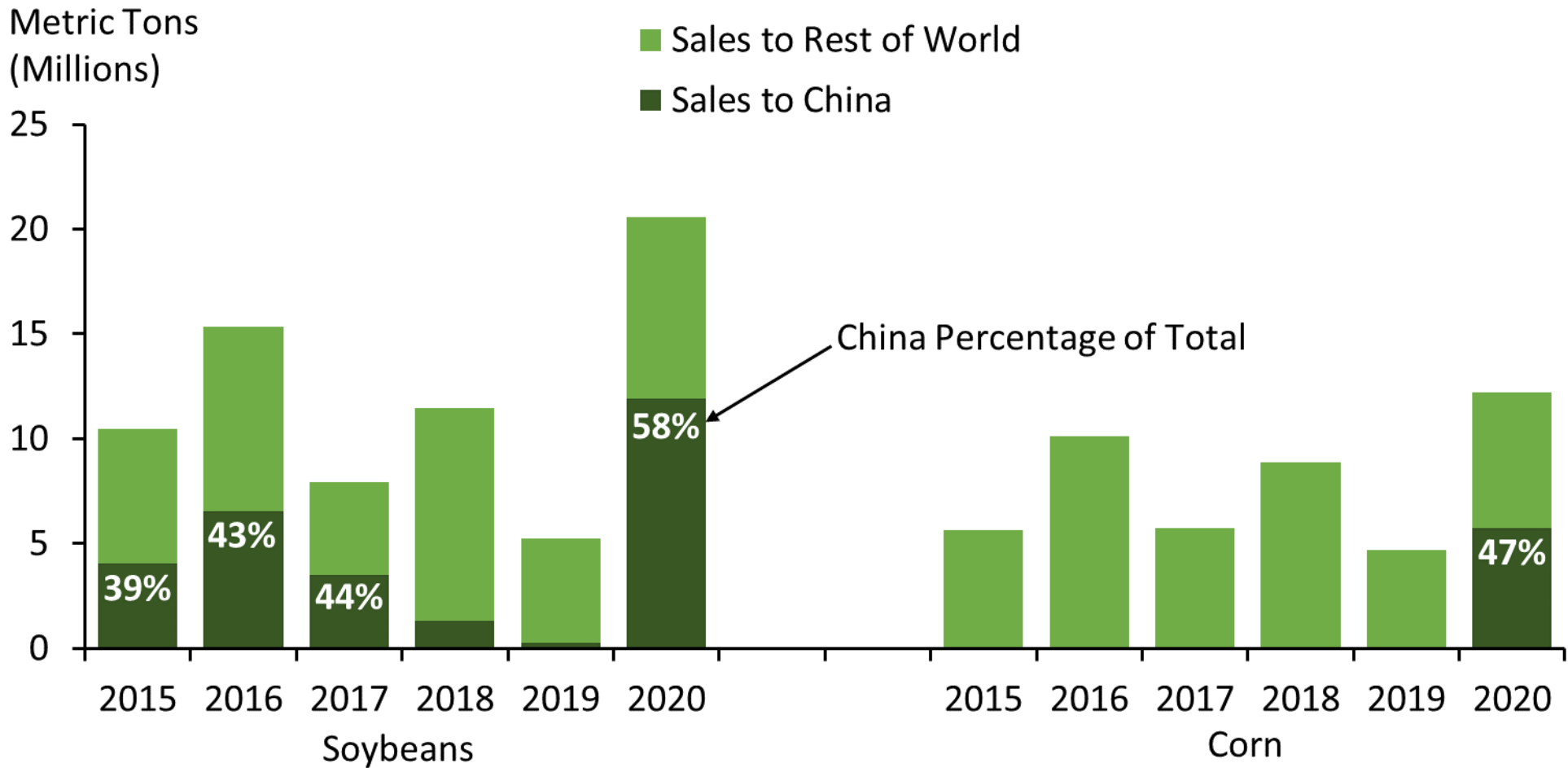
Figures for July 2020 and forward are forecasted by EIA as of June 2020.

Uncertainty surrounding China meeting their trade commitments is rising but there is still some optimism.



Source: USDA Foreign Agricultural Service.
Note: Dollar figures are nominal dollars.

Sales of new crop corn and soybeans have significantly outpaced levels experienced during the prior 5 years.

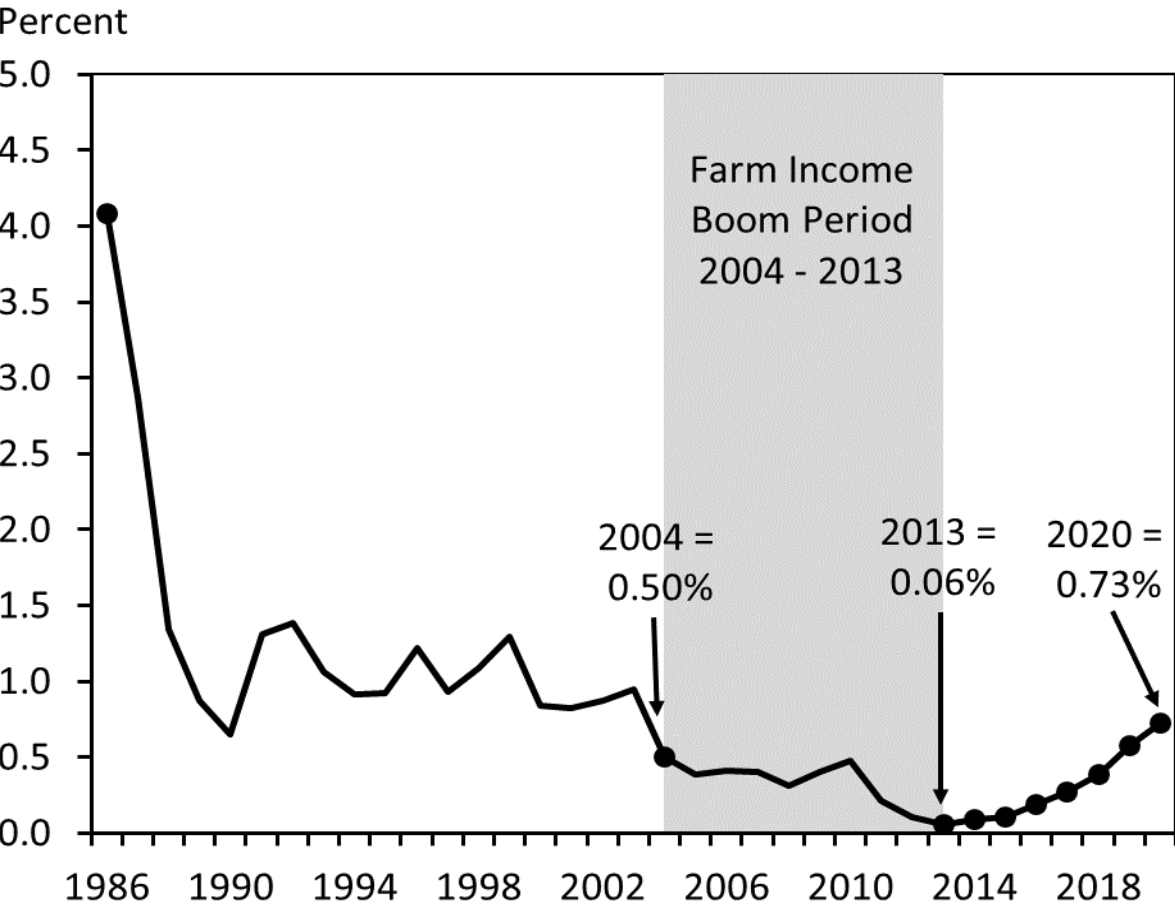


Source: USDA (Haver Analytics).

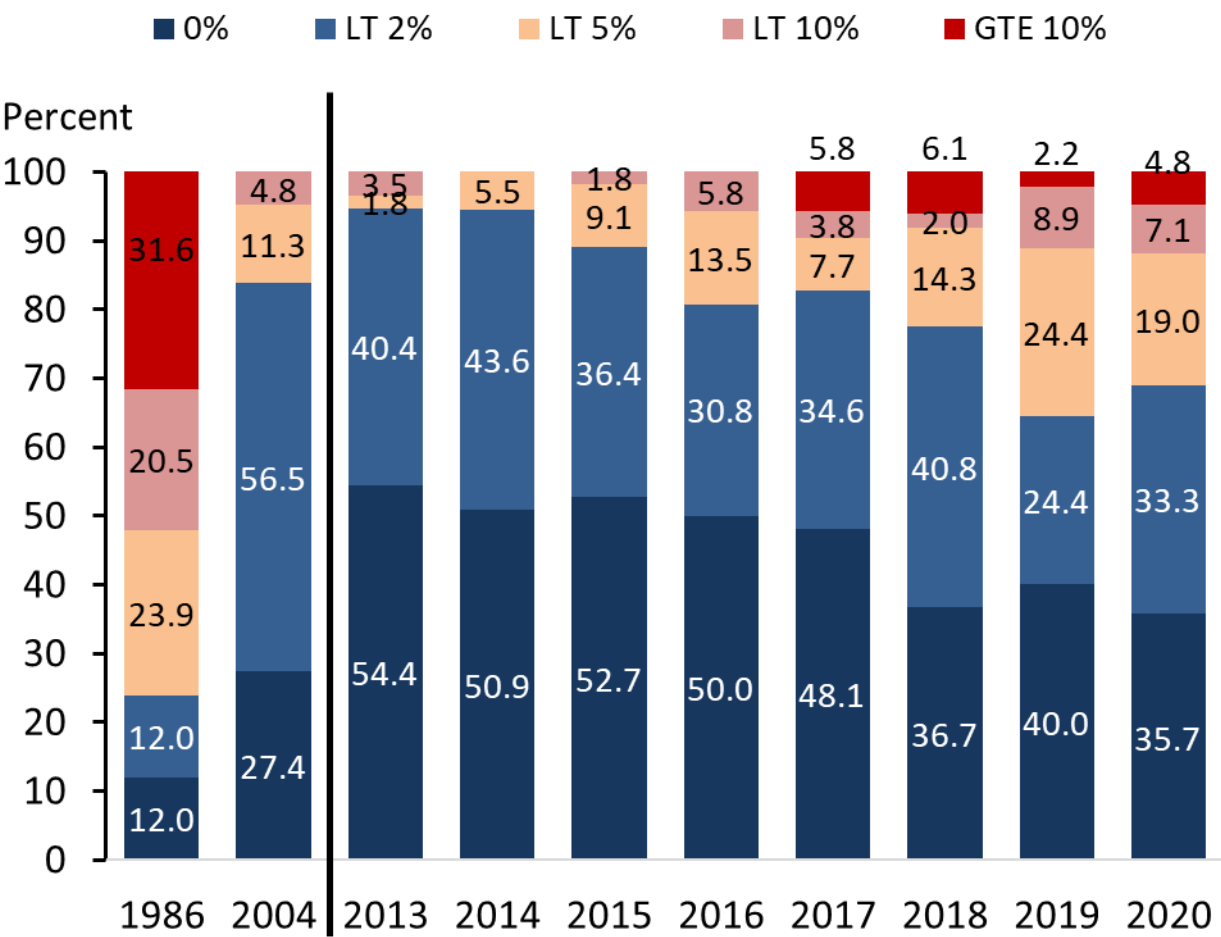
Note: Next marketing year sales as of week 49 for each year.

Reported agricultural loan delinquency ratios continue to rise, but remain on the low-side by historical comparison.

Median Agricultural Loan Delinquency Among Farm Banks



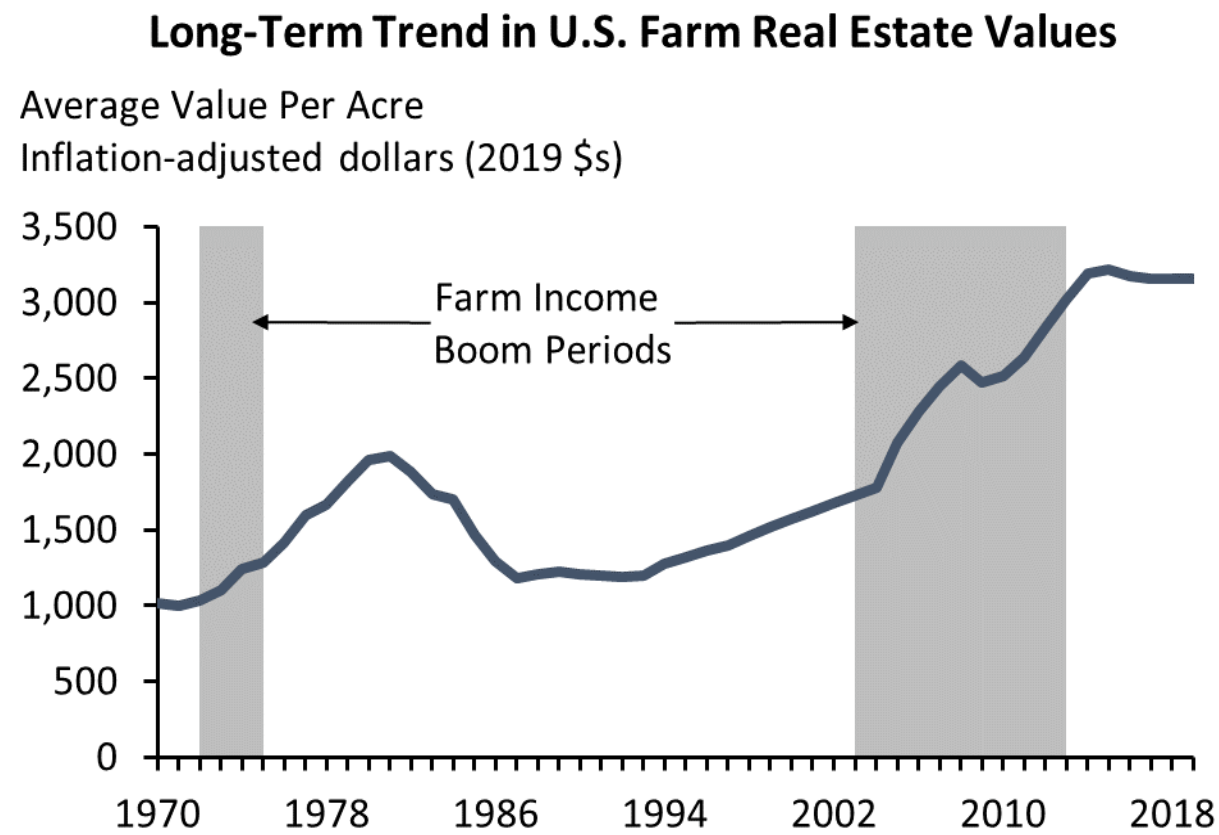
Shares of Farm Banks by Ag Loan Delinquency Buckets



Source: FDIC, farm banks, U.S. (left chart), South Dakota (right chart).
Notes. Data are second-quarter figures from 1986 through 2020. Farm banks are FDIC-insured institutions that have agricultural loans equal to or greater than 25 percent of total loans.

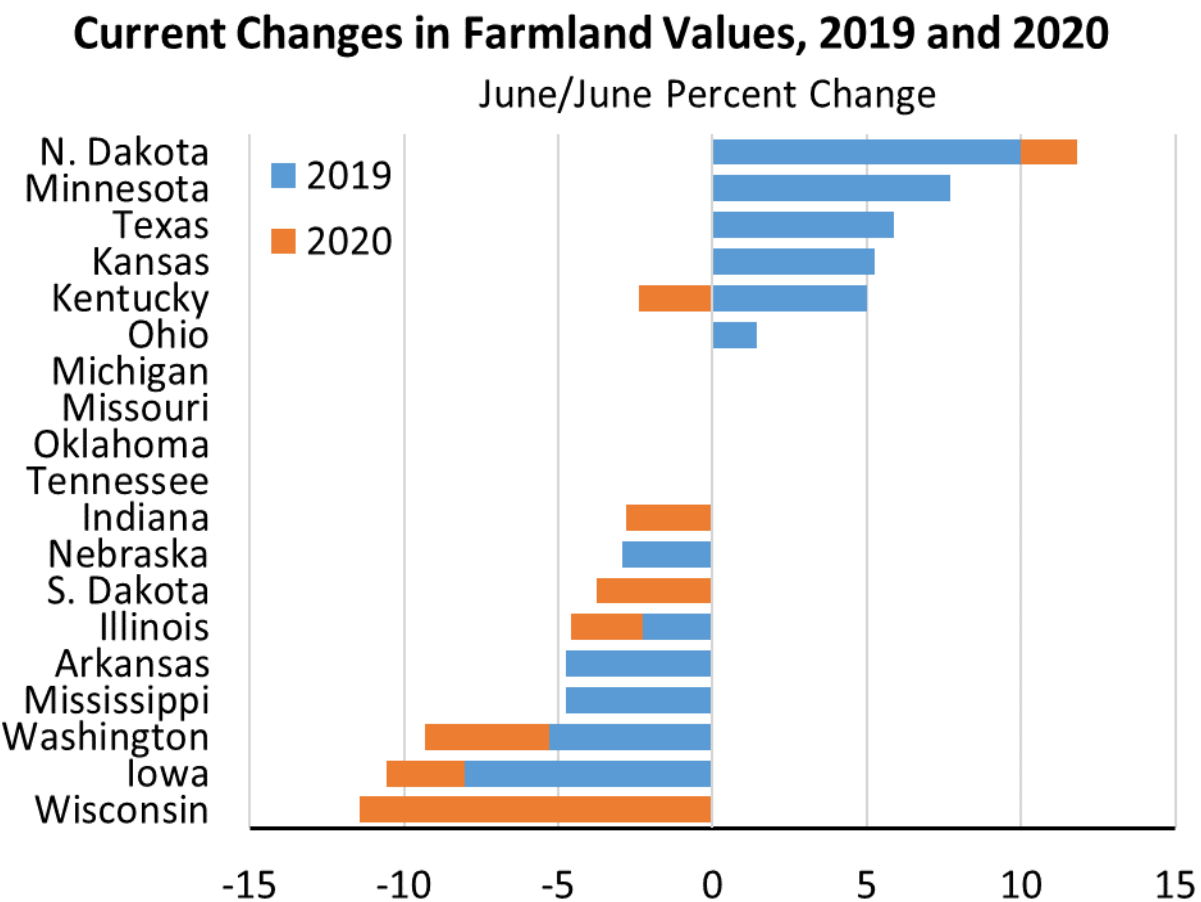
Farmland equity remains a substantial backstop against credit problems at farm banks.

No early indications that farmland values are falling.



Sources: USDA.

Notes: Figures are as of August 22, 2019, and represent annual average per-acre values of farm real estate in the U.S. through 2019. Farm real estate includes land and improvements.



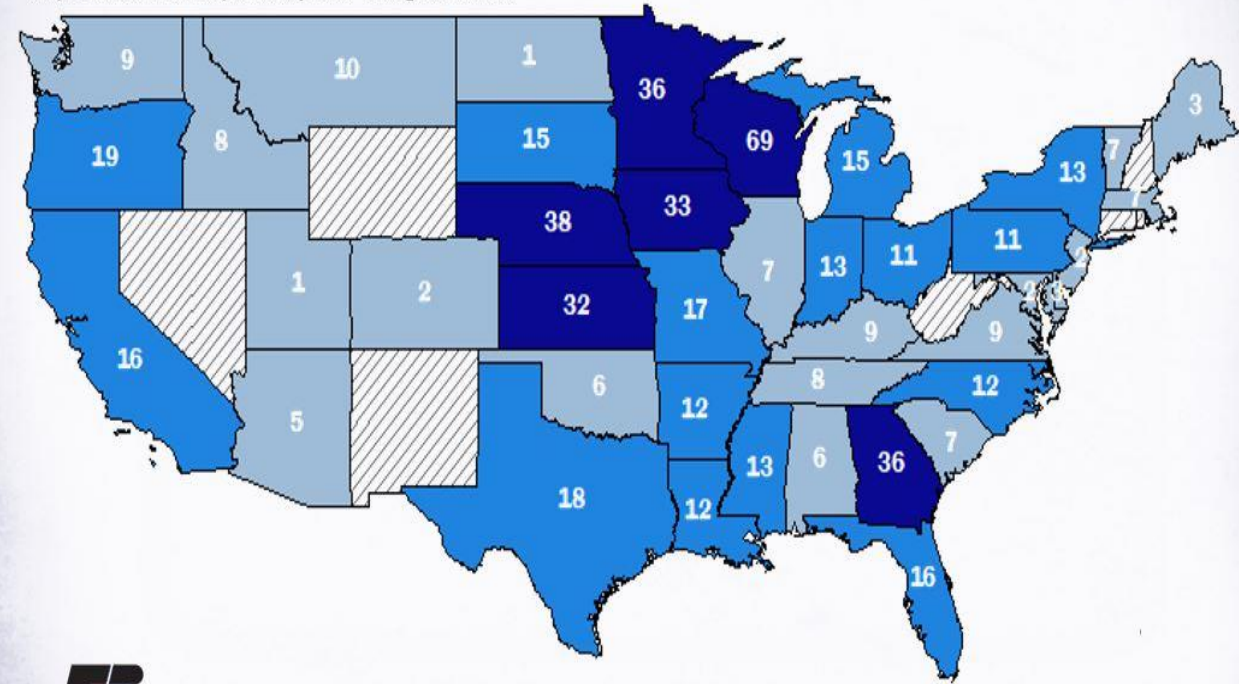
Source: Farmers National Company, June 2020 report.

Notes: Excepting WI, which did not have reported data for 2019, the absence of a bar signifies no change for that period. Some states have had no change in farmland values.

Strong farmland values have helped keep farm bankruptcy filings low despite struggles in the agriculture sector.

Figure 2. Chapter 12 Farm Bankruptcies For Last 12 Months

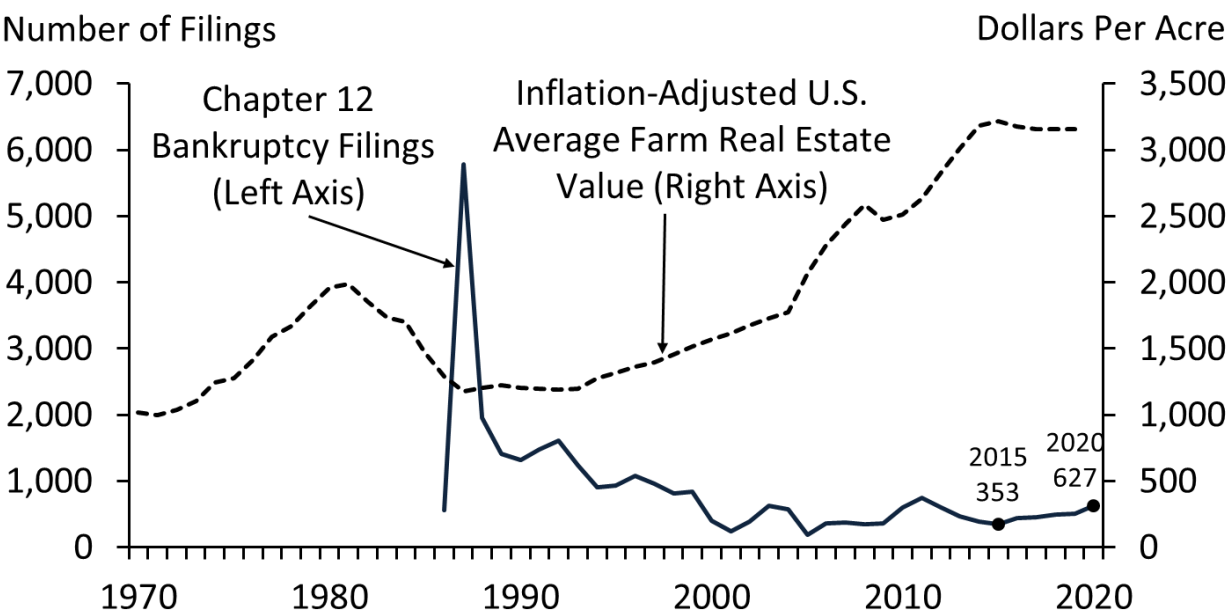
Chapter 12 Farm Bankruptcies, July 2019 Through June 2020



AFB
AMERICAN FARM BUREAU FEDERATION*

Source: U.S. Courts, Farm Bureau Calculations

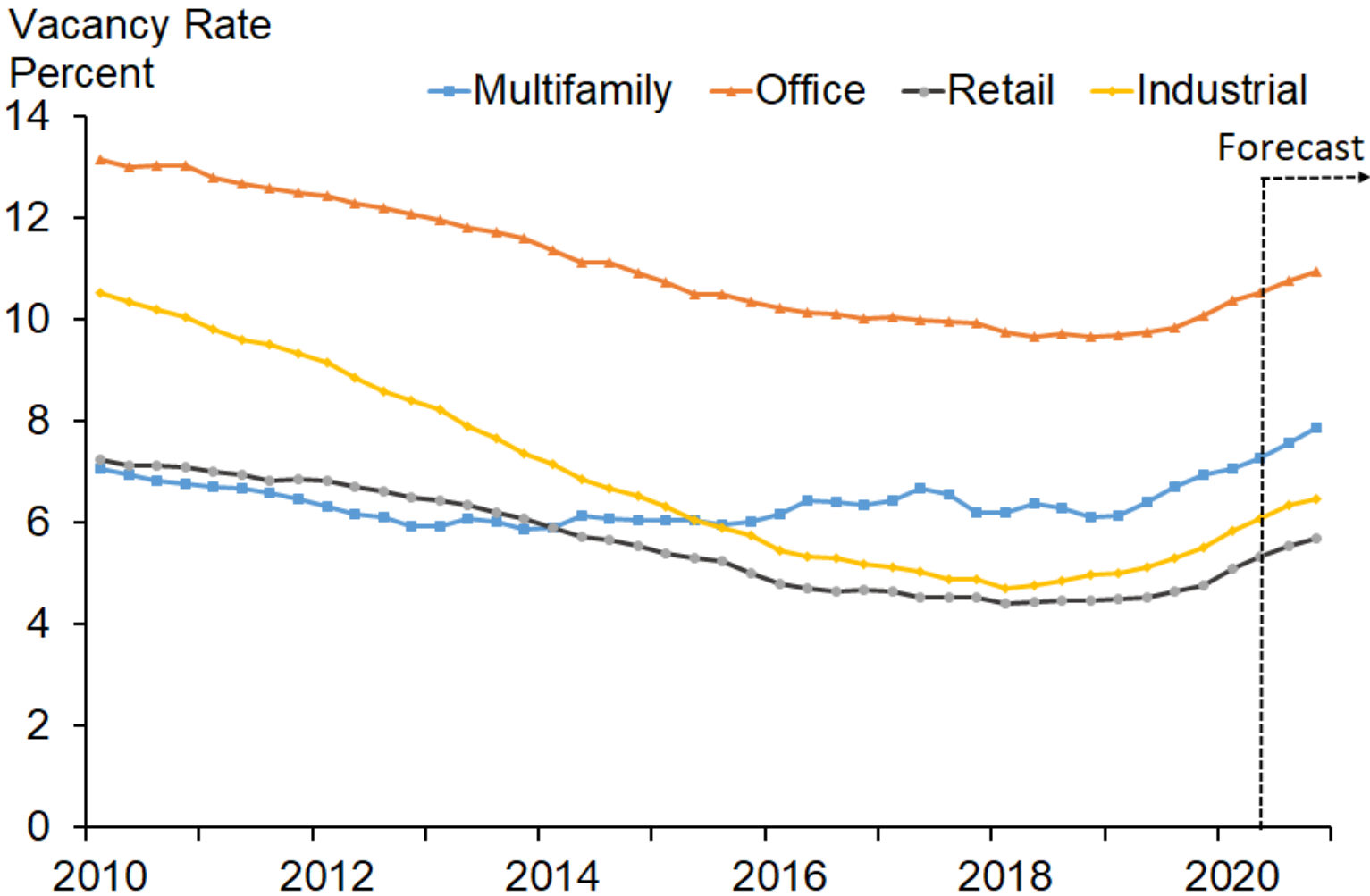
Chapter 12 Farm Bankruptcy Filings and Average U.S. Farm Real Estate Values



Source: U.S. Courts and U.S. Department of Agriculture.
Note: Chapter 12 was not available until November 1986. Bankruptcy filing data from 1986 to 2000 is June 30 annual data. Data from 2001 to 2020 is 12 months of filings ending March 30. Farm real estate values are annual figures from 1970 through 2019.

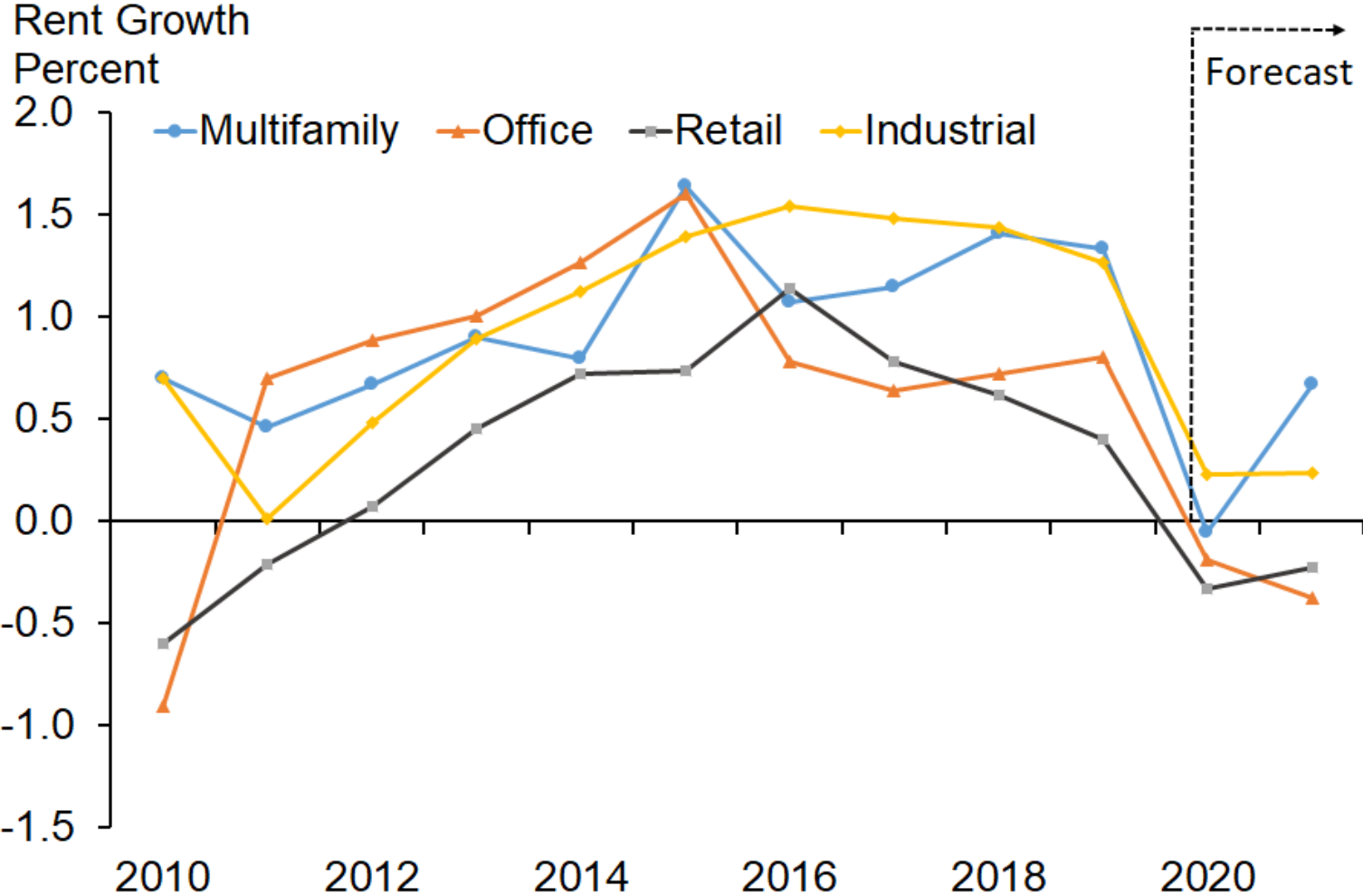
Real Estate

The pandemic has added stress to CRE sectors that were already experiencing rising vacancies beforehand.



Source: CoStar.
Note: Data are as of second quarter 2020.

The pandemic has weakened rent growth, which was already slowing.

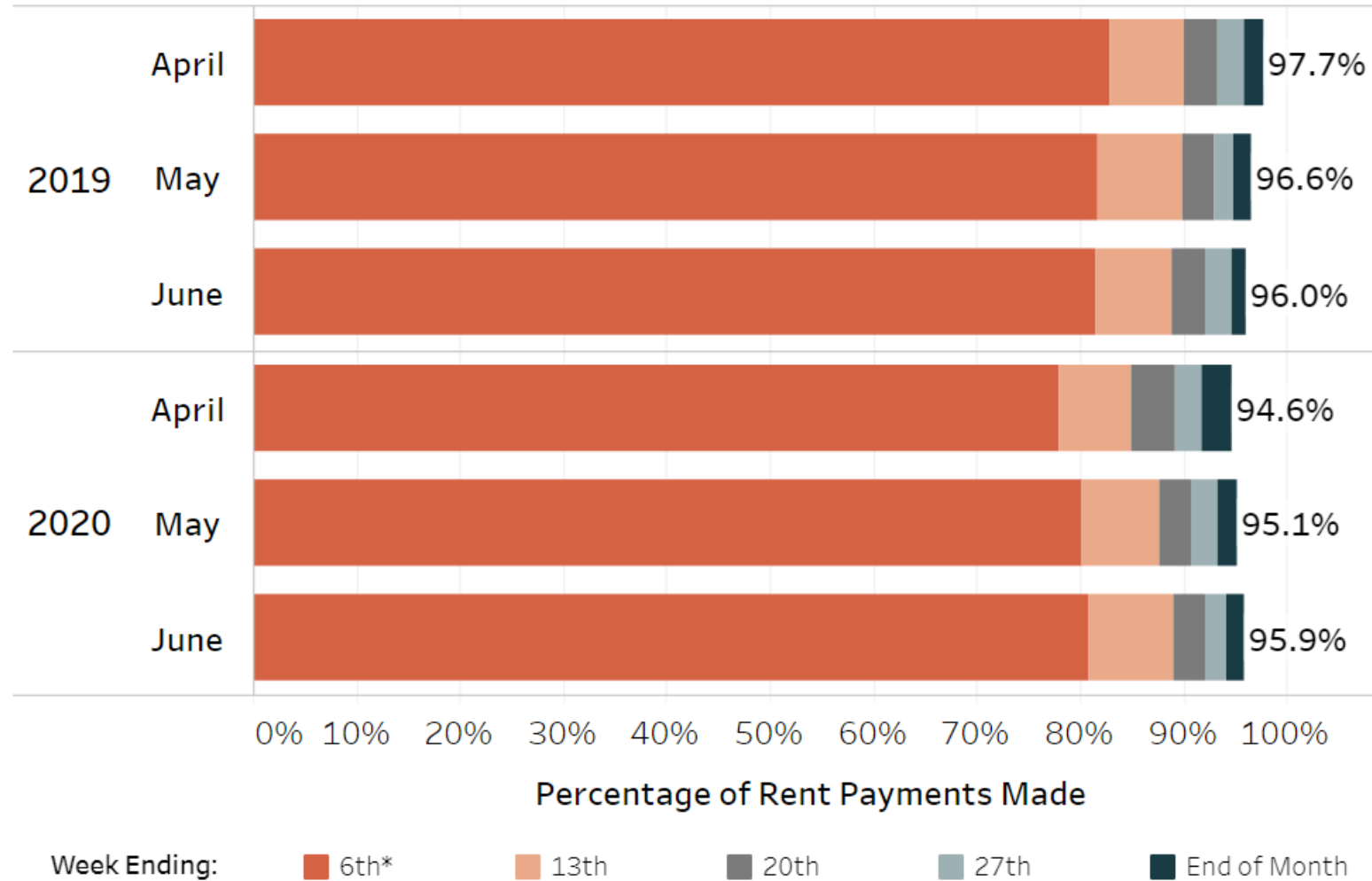


Source: CoStar.
Note: Data are as of second quarter 2020.

For now, renters have continued to make their payments.

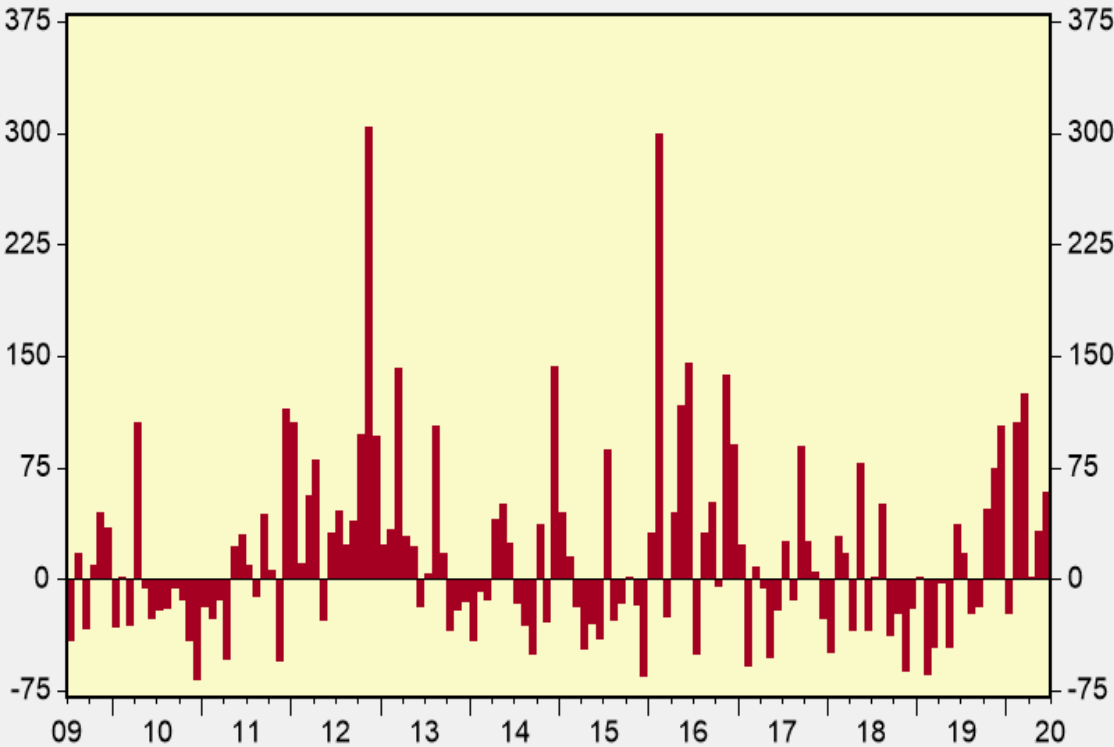
Rent Payment Tracker: Full Month Results

**Data collected from between 11.1 - 11.5 million apartment units in April, May, and June



Residential housing remains strong.

Housing Starts: South Dakota
% Change - Year to Year SAAR, Thous.Units

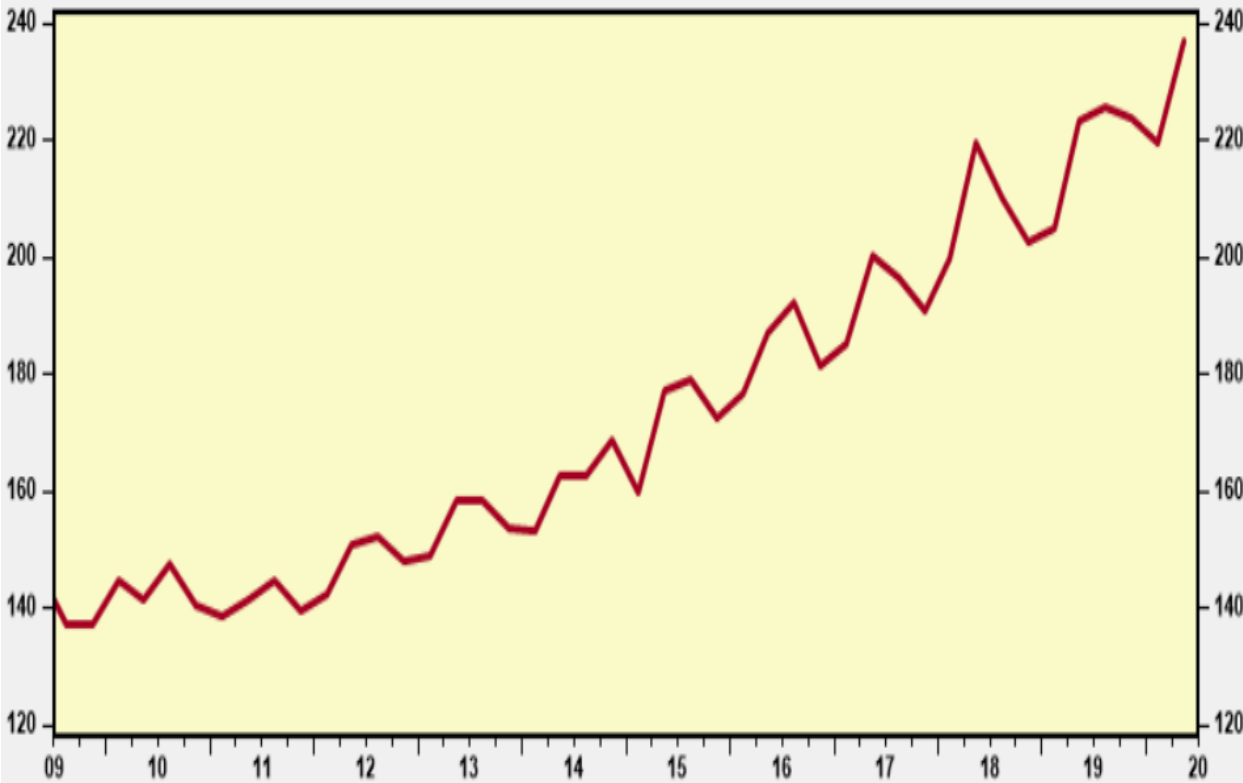


Source: Bank of Tokyo-Mitsubishi UFJ/Haver Analytics

NAR Median Price: Existing 1-Fam Homes, Sioux Falls, SD

Thous.\$

2Q:2020
\$236.7



Source: National Association of Realtors/Haver Analytics

Questions?