



**SOUTH DAKOTA
SECRETARY OF STATE
SHANTEL KREBS**

In partnership with



Third Quarter 2017

PUBLISHED BY NORTHERN STATE UNIVERSITY SCHOOL OF BUSINESS

INDICATORS

Employment (SA)



vs. prior qtr.



vs. prior year

New Entity Filings (Qrt)



vs. prior qtr.



vs. prior year

Personal Income



vs. prior qtr.



vs. prior year

Unemployment



vs. prior qtr.



vs. prior year

South Dakota's growth has stalled...

South Dakota's economic indicators continued their gradual decline in the 3rd Quarter of 2017, following the prior two quarters' trends. All business filing categories fell versus the prior quarter, and the unemployment rate increased over the prior quarter and prior year. South Dakota's unemployment rate, which is at 3.3%, is at a 2.5 year high, dropping South Dakota to the 8th lowest unemployment rate in the United States. The last time South Dakota experienced this high of employment rate was late 2014 and early 2015.

Nationally, while stock markets have rallied from the doldrums of the 2nd quarter, labor measures and personal income have somewhat flattened from their positive trend. Although these measures did not see a decline in the third quarter, these measures are often times used in unison to project future numbers. Before unemployment can move much lower, for instance, personal income would need to start moving higher and at higher rates. According to Federal Reserve Chair Yellen, the phenomena of continuing improvement of unemployment without corresponding increases to personal income is likely reflective of displaced workers reentering the workforce. The result is an environment where the economy is continuing to grow, all be it a very slow pace, and one that she anticipates will start experiencing inflation in 2018.

Internationally, the news of the quarter was the continuing tensions with North Korea. Despite the increased sanctions, North Korea continued to test both its nuclear weapons capability as well as its ballistic missiles. After testing a missile that flew over Japan, the United Nations and China joined the United States in furthering the sanctions intended to curb the activities. The price of oil continued to range between the low 40's and 50's, with the main movements in price focused around OPEC production announcements coupled with new U.S. rig counts. The production decreases by OPEC, serve to increase prices, followed by increases in U.S. rig counts, which will eventually decrease price. U.S. harvest projections point to potentially higher prices for soybeans, and lower for corn.

EMPLOYMENT FORECASTS



Q4 2017 vs. Q3 2017



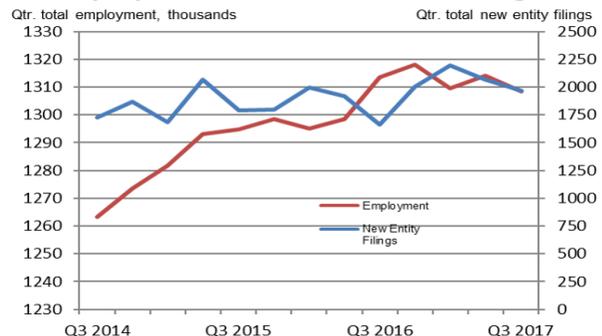
Q4 2017 vs. Q4 2016



Q1 2018 vs. Q4 2017

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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.

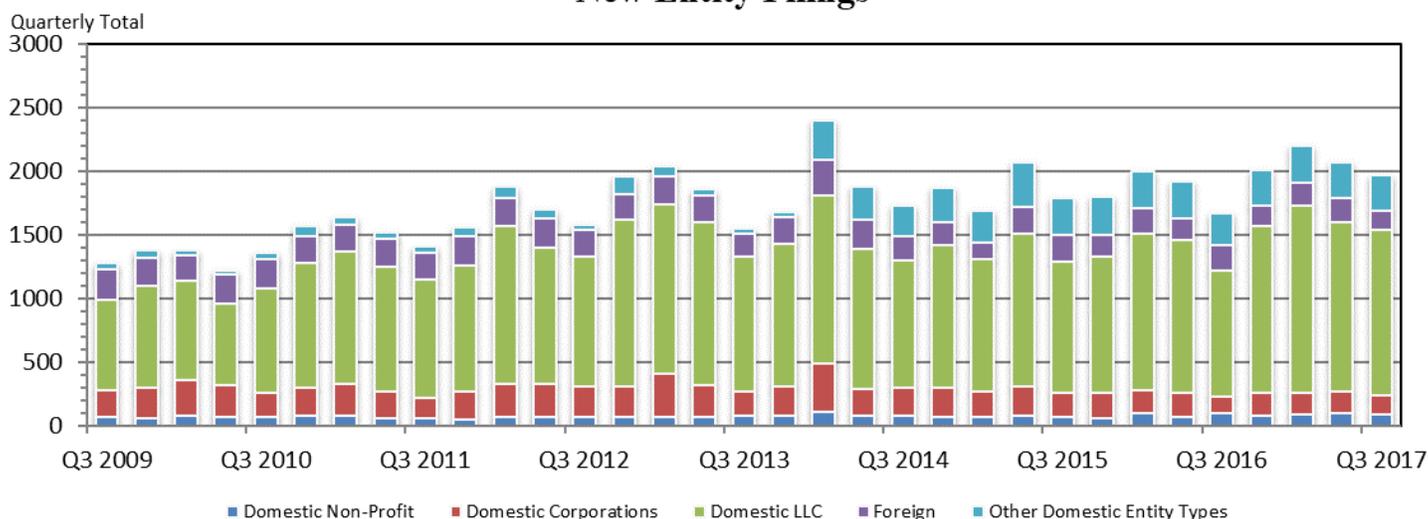
Secretary's Minute



At the end of the third quarter, we pushed another Business Services system update that included a brand new Doing Business As (DBA) Name Registration system and a new online process for business entity Reinstatements. These new systems allow for a greater customer experience, including reminder emails for DBA names when expiration is pending (every 5 years) and the ability for entities that are reinstating to file their delinquent annual reports and all late fees online prior to submitting the final reinstatement paperwork. Please visit our upgraded business registration system at: www.sdsos.gov to see the additional changes.

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New Entity Filings



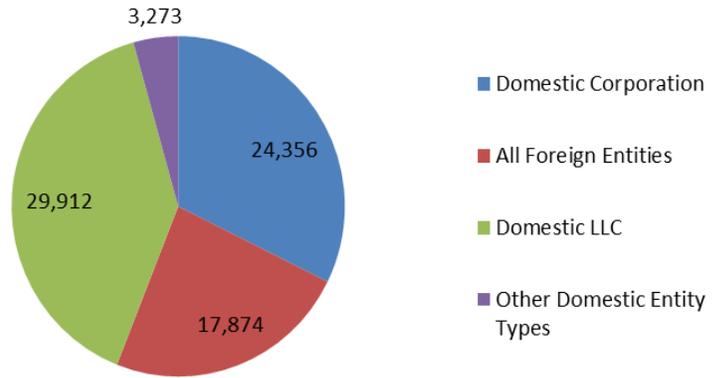
	Current Period	3 months Prior	Prior Year	Percent Change over Prior Year
New Entity Filings				
Domestic Limited Liability Company	1,295	1,334	991	30.7%
Domestic Nonprofit Corporation	85	93	95	-10.5%
Domestic Business Corporation	155	175	136	14.0%
Foreign Entity Types	158	188	196	-19.4%
Other Domestic Entity Types	278	279	247	12.6%
Total New Entity Filings	1,971	2,069	1,665	18.4%
Total New Entity Filings-12 mo. trailing	8,245	7,939	7,387	11.6%
Other Business Filings				
Trademarks	102	68	105	-2.9%
Trademarks-12 mo. trailing	391	394	429	-8.9%
Fictitious Business Names (DBA)	854	1,098	932	-8.4%
Fictitious Business Names (DBA)-12 mo. trailing	4,186	4,264	3,891	7.6%

* Compound Annual Growth Rate

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

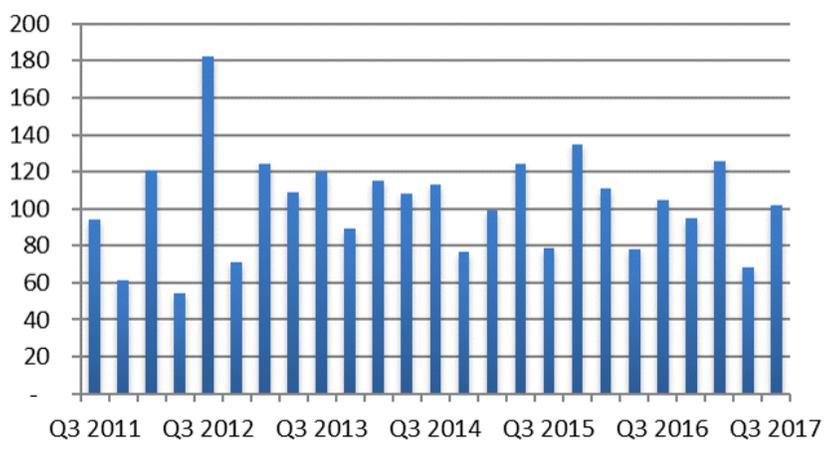
Limited Liability Companies make up 40% of entities in Good Standing. An entity must file paperwork each year to ensure they remain in Good Standing. At the end of Q3 2017, 75,415 entities were in Good Standing with the Secretary of State's office.

Entities in Good Standing



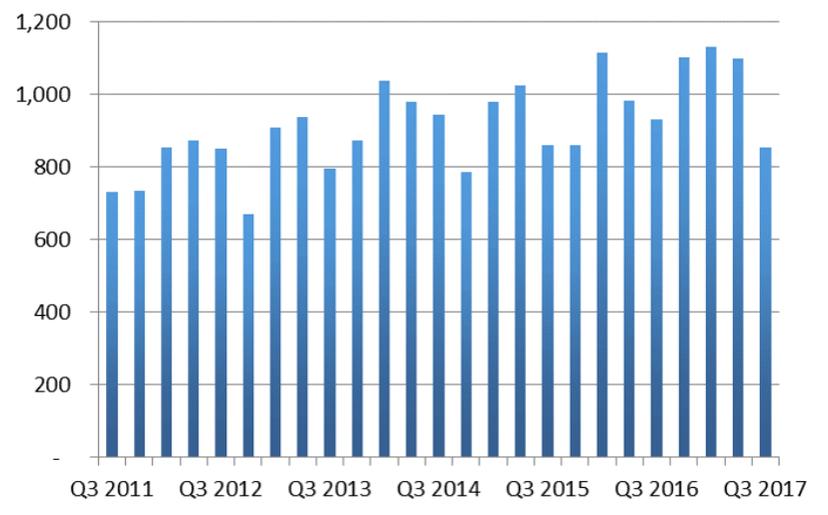
Trademark filings increased in Q3 2017. Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 102 in Q3 2017, a 50% increase over the prior quarter. Trademark filings for the 12 months ending Q3 2017 totaled 391, which was a decrease of 8.9% from the previous year's number.

Trademark Filings

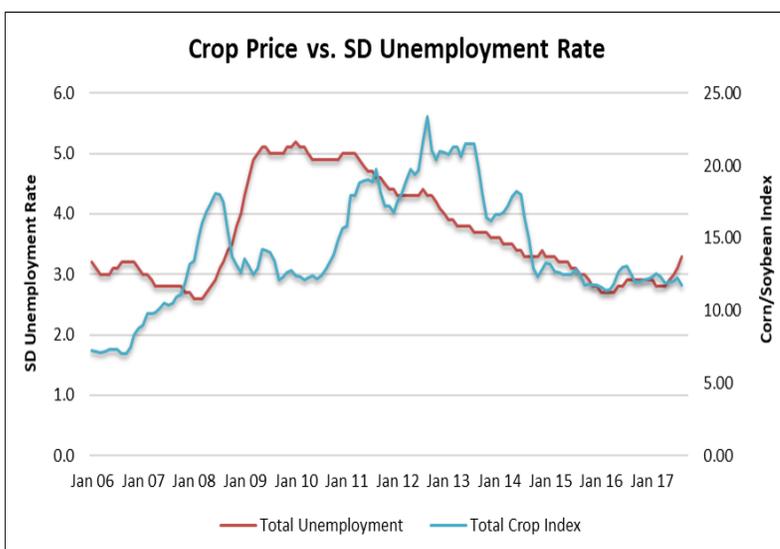


Fictitious Business Name (DBA) filings decreased in Q3 2017. Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 854 fictitious business name filings in Q3 2017, a decrease of 22.2% over the prior quarter. Fictitious business name filings for the 12 months ending Q3 2017 totaled 4,186 which was 7.6% higher than the previous year's number.

Fictitious Business Name (DBA) Filings



South Dakota Economic Indicators



Note: The corn/soybean index, is the sum of the average monthly price received for corn and soybeans. Source: USDA and SD Department of Labor and Regulation

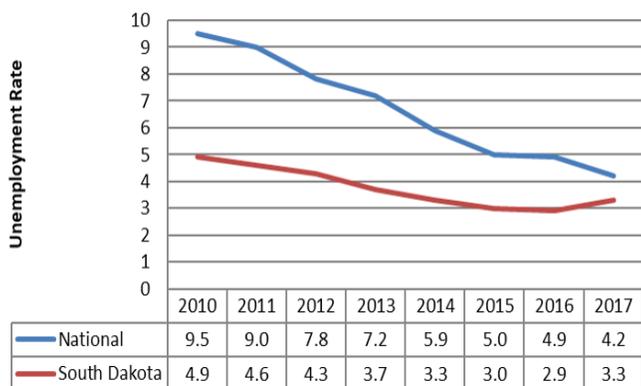
As of August, South Dakota's unemployment rate grew to 3.3%, the highest level since February of 2015. While this still ranks South Dakota number 8 in the nation, it also follows the trend of retracement for over a year. Since the last peak of unemployment in late 2014, South Dakota has added over 8,200 jobs to the economy. During the same time, South Dakota has added over 8,600 people to the work force, which is a net deficit of over 400 jobs. In order for employment and personal income to improve, an economy must not only grow jobs, but must grow jobs at a rate that is higher than the number of new adults and immigrants entering the workforce. Looking at the trend, one could reasonably argue that the trend is a resultant of the continuing lag in crop prices and it will continue until crop prices recover. It is worth noting that there seems to be a cyclical trend of a 18-24 month lag between the effects of either higher or lower crop prices and the impact on

South Dakota's unemployment rate. This is likely due to the natural credit cycles of banks funding more before periods of declining prices, and less after. We anticipate that unemployment and personal income in South Dakota will continue to wane into late 2019.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	41,897	41,971	-0.2%	1.1%	2.0%
Total Sales, 12 mo. trailing (millions of dollars)	66,202	66,850	-1.0%	-2.8%	-0.1%
Taxable Sales, 12 mo. trailing (millions of dollars)	20,887	20,818	0.3%	-0.8%	2.5%
Business Outlays					
Average Weekly Wage per Employee	819	828	-1.1%	6.2%	3.1%
Retail Gasoline Price (dollars per gallon)	2.47	2.27	8.8%	10.3%	-8.5%
Economic Overview					
Employment	436,800	437,100	-0.1%	0.8%	1.1%
Unemployment Rate	3.3%	3.0%	10.0%	13.8%	-5.2%
Initial Jobless Claims	185	167	10.8%	29.4%	-6.9%
Continuing Jobless Claims	910	1,262	-27.9%	-16.6%	-11.0%
Building Permits, Number of Units, 12 mo. trailing	4,902	5,051	-2.9%	-5.8%	6.2%
Valuation (thousands of dollars), 12 mo. trailing	795,598	807,008	-1.4%	-0.6%	8.1%
FHFA Purchase-Only Home Price Index	279	277	0.7%	5.3%	4.7%
Total Business Bankruptcy Filings	13	7	85.7%	30.0%	-6.3%
Chapter 7	8	3	166.7%	60.0%	-9.3%
Chapter 11	-	1	-100.0%	-	-
Chapter 13	4	2	100.0%	0.0%	0.0%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q2/17); South Dakota Department of Revenue (NSA) (9/17); South Dakota Department of Labor and Regulation (SA) (Q1/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (9/25/17); Bureau of Labor Statistics, CES (SA) (8/17); US Department of Labor, Employment and Training Administration (NSA) (9/30/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/17); FHFA Purchase-Only Home Price Index (SA) (Q2/17); Administrative Office of the US Courts (Q2/17). *Compound Annual Growth Rate.

U.S. vs South Dakota Unemployment



National Economic Indicators

Nationally, Wall Street seemed to absorb the risks of North Korea during the third quarter, with the Dow recovering to new highs. Tax reform, promised reform/repeal of the ACA, low interest rates, low wage inflation, and the relatively weak dollar have formed what could be an incredible run for corporate profits in the U.S. Federal Reserve Chairman Yellen has noted the “surprise” of low inflation in this environment, attributing some of it to the reentry of many Americans who were forced out of the labor markets during the period of the “Great Recession”. According to the Department of Labor, roughly 80.7 million jobs were shed from February 2008 and February 2010. The Federal Reserve Banks have promised to stay ahead of any periods of high inflation by keeping interest rates in line with growing inflation and decreasing unemployment. Currently, the Federal Reserve targets are

Source: US Department of Labor and SD Department of Labor

are being met in the employment category, but, inflation has served to keep their interest rates in check. As Americans rejoin the labor force, and positions become more difficult to fill, wages and personal income will begin to grow at increasing rates. Once this happens, we will start to see an increase in inflation.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	16,364	16,329	0.2%	2.9%	3.4%
Retail Sales, 12 mo. trailing (billions of dollars)	5,641.8	5,585.5	1.0%	3.7%	3.5%
S&P 500	2,534.6	2,429.0	4.3%	17.3%	11.8%
Business Outlays					
Average Weekly Wage per Employee	1,111	1,067	4.1%	6.6%	2.5%
Consumer Price Index	245.0	243.8	0.5%	1.9%	1.3%
Energy	199.5	194.2	2.7%	6.4%	-4.0%
Transportation Services	311.2	309.2	0.6%	3.5%	2.6%
Retail Gasoline Price (dollars per gallon)	2.68	2.38	12.6%	13.9%	-7.1%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	17,031	16,873	0.9%	2.2%	2.1%
Employment (in thousands)	146,659	146,135	0.4%	1.2%	1.7%
Unemployment Rate	4.2%	4.4%	-4.5%	-70.0%	-3.6%
Initial Jobless Claims	298,000	238,000	25.2%	16.0%	-11.8%
Continuing Jobless Claims	1,935,000	1,942,000	-0.4%	-9.5%	-20.5%
Building Permits, Number of Units, 12 mo. trailing	1,251,503	1,220,878	2.5%	6.2%	11.2%
Valuation (millions of dollars), 12 mo. trailing	249,902	242,480	3.1%	9.8%	14.8%
FHFA Home Price Index	245.4	241.2	1.7%	6.6%	6.1%
Rotary Rig Count	940.0	940.0	0.0%	80.1%	-12.6%
Total Business Bankruptcy Filings	6,366	5,715	11.4%	-2.6%	-9.3%
Chapter 7	3,759	3,604	4.3%	0.0%	-12.1%
Chapter 11	1,883	1,435	31.2%	-5.7%	-3.3%
Chapter 13	528	539	-2.0%	-10.7%	-8.8%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q2/17); US Census Bureau (NSA) (8/17); Yahoo Finance (10/3/17); Bureau of Labor Statistics, QCEW (NSA) (Q1/17); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (8/17); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/2/17); Bureau of Economic Analysis (SA) (Q2/17); Bureau of Labor Statistics, CES (SA) (9/17); US Department of Labor, Employment and Training Administration (SA) (9/2/17); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/17); FHFA Purchase-Only Home Price Index (SA) (Q2/17); Baker-Hughes (9/29/17), Administrative Office of the US Courts (Q2/17). *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.