



Fourth Quarter 2015

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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



Q1 2016 vs. Q4 2015



Q1 2016 vs. Q1 2015



Q2 2016 vs. Q1 2016

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South Dakota continues to show strength

South Dakota's New Business Filings improved versus 3rd quarter, but declined slightly from Q4 2014. Employment numbers continue to outpace business filings, and mark an entire year of that continuing trend. South Dakota continues to show strength in most sectors of its economy, despite relatively low crop prices. The one area that lagged was annual wages per employee, which fell slightly from the prior quarter; however, the same measure improved versus the prior year.

The Fed Makes a Move: The Federal Reserve finally made a long anticipated increase to its key benchmark rate, raising it 25 basis points in December. Markets reacted to the move with relative calm, leaving many experts to conclude the markets had already priced in the move, which was expected by many in the September meeting. The effect of the move on the overall economy will remain to be seen, especially for states like South Dakota who could potentially suffer from the negative effects of a strong U.S. dollar. The course and conversation are now on how many moves will happen in 2016. Janet Yellen continues to promise unprecedented transparency, advance warning of moves, and moves based on the data.

Nationally, the economic story of the quarter focused less on domestic numbers, and more on China's lagging growth and its move to transform the Yuan to the free market. As the world's number two economy, the shocks and tremors originating in China are felt throughout the world's markets. Many experts point to China's extraordinary growth prior to 2015 directly to the run up in the price of oil over the same period; with experts pricing China's future demand of the commodity into what was thought to be, at the time, insufficient production. As China growth has slowed, crude inventories have grown, and the price of oil has plummeted. The lagging effect of the price drop in crude on the American economy will remain to be seen as the new oil markets served as a definite boon while it lasted.

WTI Crude Oil Price/ Barrel



Source: CME Group

Secretary's Minute



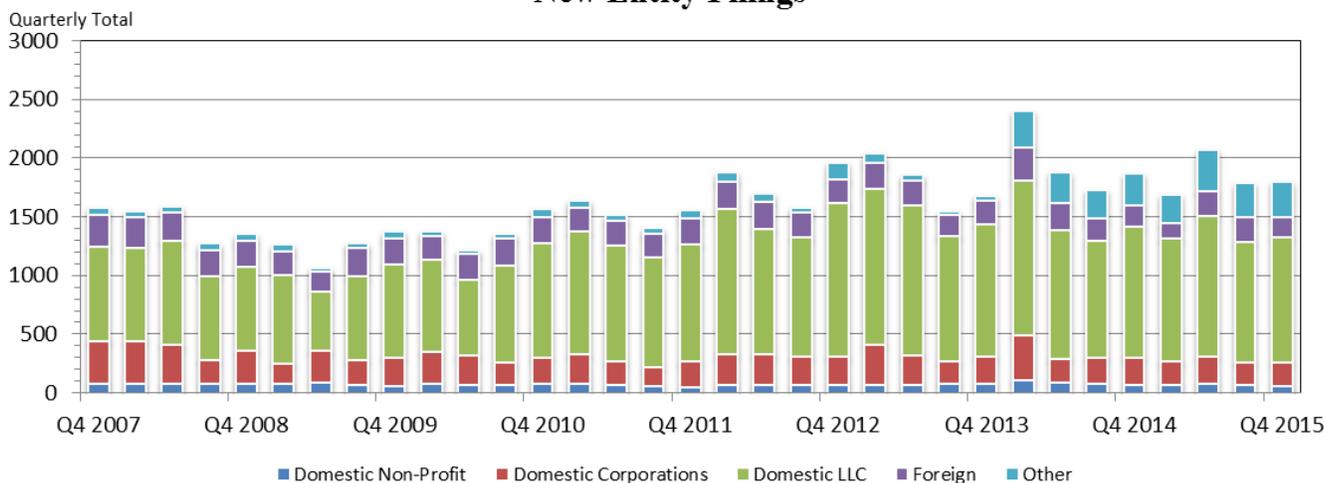
In the Secretary of State's office, we handle corporate filings, uniform commercial code filings, elections, and issuance of concealed carry weapon permits, among 325 other types of transactions.

This past year our corporate filings and trademark registration numbers remained steady. We noticed a decline in the Uniform Commercial Code filings. Over the past five years, we have averaged 55,000 UCC filings per year, which peaked at 66,000 in 2014. In calendar year 2015, we experienced a decline in filings to 46,000, mostly due to the Ag economy.

The requests for concealed carry weapons permits saw a dramatic increase at the end of 2015. We issued over 3,000 permits in the month of December which were more than double an average month. In the month of January, permits continue to increase as well. There are over 85,000 active permit holders in the state of South Dakota

Shantel Krebs

New Entity Filings



	Q4 2015	Q3 2015	Q4 2014	Percent Change over Prior Year	5 Year CAGR*
New Entity Filings					
Domestic Limited Liability Company	1,068	1,031	1,114	-4.1%	1.7%
Domestic Nonprofit Corporation	61	71	67	-9.0%	-3.5%
Domestic Business Corporation	196	183	233	-15.9%	-2.7%
Other Entity Types	476	504	456	4.4%	10.3%
Total New Entity Filings	1,801	1,789	1,870	-3.7%	2.6%
Total New Entity Filings-12 mo. trailing	7,341	7,410	7,883	-6.9%	5.9%
Other Business Filings					
Trademarks	135	79	77	75.3%	-5.5%
Trademarks-12 mo. trailing	379	379	413	-8.2%	-2.3%
Fictitious Business Names (DBA)	861	859	786	9.5%	3.8%
Fictitious Business Names (DBA)-12 mo. trailing	3,727	3,652	3,748	-0.6%	3.2%

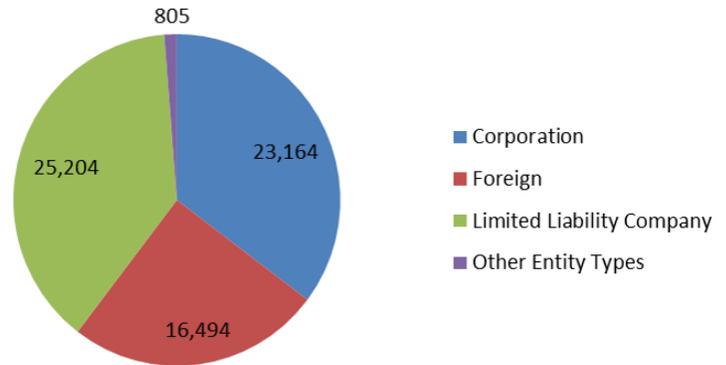
* Compound Annual Growth Rate

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

Limited Liability Companies make up 38% of entities in good standing.

An entity must file paperwork each year to ensure they remain in good standing. At the end of Q4 2015, 65,667 entities were in good standing with the Secretary of State's office.

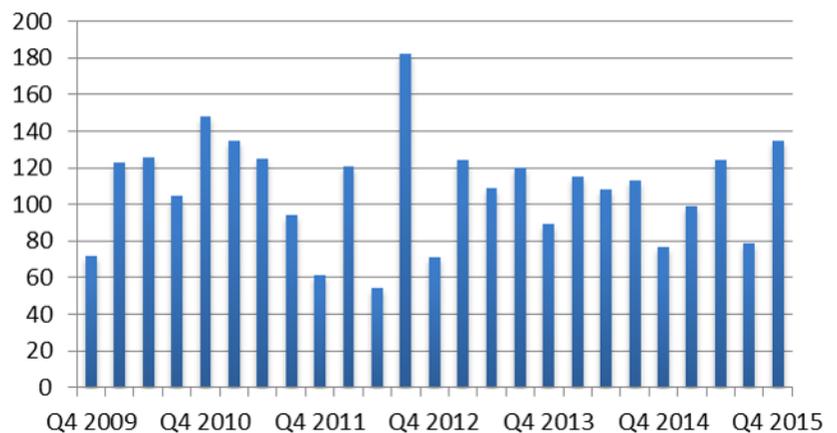
Entities in Good Standing



Trademark filings increased in Q4 2015.

Safeguarding the symbols and words that an entity utilizes in commerce, trademark filings numbered 135 in Q4 2015, a 71% increase over the prior quarter. Trademark filings for the 12 months ending Q4 2015 totaled 437, which was 5.8% higher than the previous year's number.

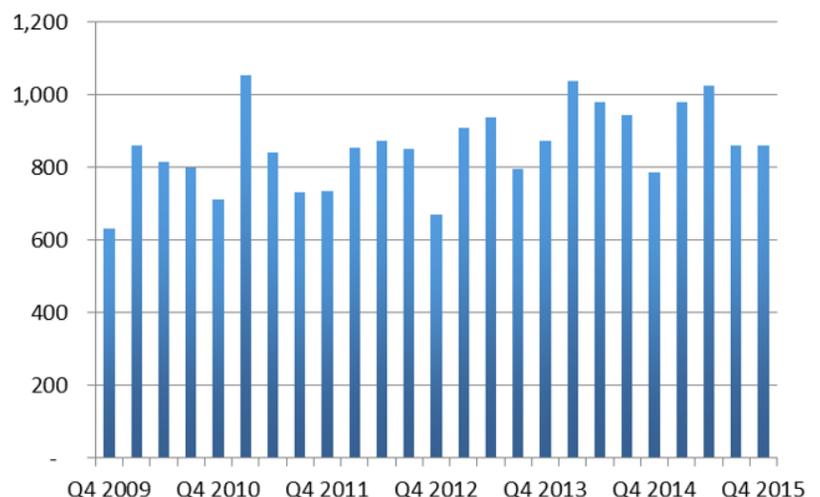
Trademark Filings



Fictitious Business Name (DBA) filings increased in Q4 2015.

Entities must file a fictitious name statement when operating under any name other than their true name. The South Dakota Secretary of State received 861 trade name filings in Q4 2015, an increase of .2% over the prior quarter. Trade name filings for the 12 months ending Q4 2015 totaled 3,727 which was .56% lower than the previous year's number.

Fictitious Business Name (DBA) Filings



South Dakota Economic Indicators

Building Permits



Source: New Privately Owned Housing Units

South Dakota Employment Rate Ranked Third Nationally at 3%, according to the most recent Q4 data published by the Bureau of Labor Statistics, and improvement from 3.5% in the prior quarter, and a 9.1% improvement from the prior year. Although annual wages per employee decreased from Q3, it improved 3.9% from the prior year. As discussed in prior issues, South Dakota continues its slow, moderated growth from year to year. The partial area of concern is in total sales and building permits. Total sales fell .9% from the prior year, and building permits fell 3.7% over the same period. There are many factors that contribute to both of these areas, but with the unusually mild start to the winter experienced in most of the state, one would have reasonably expected somewhat different results. As with most economic statistics, results can't be interpreted in one period's results. Often times,

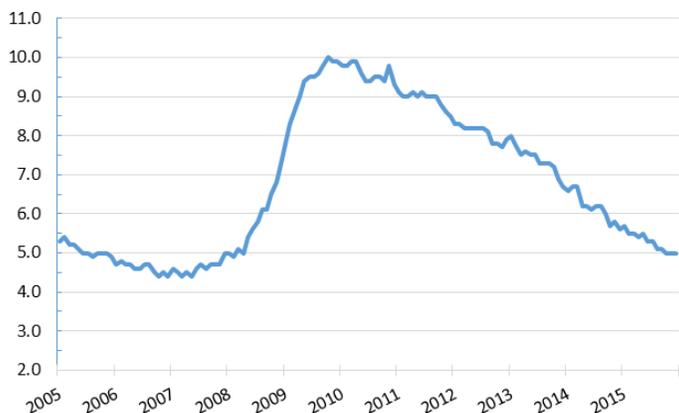
revisions are made, and, as a result, the data changes. The slightly troubling aspect of these two statistics is that the decrease is measured year to date. Time will tell – as there is no better indicator than actual versus predicted total revenue. At present, there is nothing that would serve to set alarms off regarding the state of South Dakota's economy, overall, it remains stable and moving forward, despite the continued decrease in net ag income.

SOUTH DAKOTA	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (millions of dollars)	39,301	38,414	2.3%	1.4%	3.4%
Total Sales, 12 mo. trailing (millions of dollars)	68,314	68,178	0.2%	-0.9%	3.7%
Taxable Sales, 12 mo. trailing (millions of dollars)	21,020	20,891	0.6%	3.5%	4.2%
Business Outlays					
Annual Wages per Employee	9,620	9,919	-3.0%	3.9%	3.2%
Retail Gasoline Price (dollars per gallon)	1.96	2.38	-17.6%	-8.8%	-8.7%
Economic Overview					
Employment	434,900	430,400	1.0%	2.6%	1.4%
Unemployment Rate	3.0%	3.5%	-14.3%	-9.1%	-9.3%
Initial Jobless Claims	415	174	138.5%	12.8%	-10.2%
Continuing Jobless Claims	2,893	1,021	183.3%	-0.9%	-10.1%
Building Permits, Number of Units, 12 mo. trailing	4,501	4,510	-0.2%	-3.7%	7.3%
Valuation (thousands of dollars), 12 mo. trailing	673,333	667,678	0.8%	-3.6%	8.7%
FHFA Purchase-Only Home Price Index	258	256	0.8%	4.9%	3.3%
Total Business Bankruptcy Filings	13	10	30.0%	62.5%	-16.0%
Chapter 7	3	7	-57.1%	-57.1%	-32.9%
Chapter 11	5	-	-	-	-3.6%
Chapter 13	3	2	50.0%	200.0%	0.0%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q3/15); South Dakota Department of Revenue (NSA) (12/15); South Dakota Department of Labor and Regulation (SA) (Q2/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Midwest (12/28/15); Bureau of Labor Statistics, CES (SA) (11/15); US Department of Labor, Employment and Training Administration (NSA) (12/26/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/15); FHFA Purchase-Only Home Price Index (SA) (Q3/15); Administrative Office of the US Courts (Q3/15). *Compound Annual Growth Rate.

National Economic Indicators

National Unemployment Rate



Source: Bureau of Labor Statistics

Nationally, the economy continues to move along at a productive pace. The unemployment rate hit 5% in October, and maintained that rate through the entire quarter. The last time the unemployment was that low was April of 2008. Annual wages per employee are gradually moving north as well; during 2015 Yellen encouraged Congress to set 4% as a Fed target for unemployment, arguing it to be an optimum point of allowing middle and low income earners to participate more in the growth of the economy while keeping inflation in check. The effect of the Affordable Care Act (ACA) on wages and employee earnings, if any, will come in 2016 and 2017, the years that the main components will take hold.

The major story of 2016 will likely mirror that of the second half of 2015: China. Current prices of stocks and commodities as a whole are largely priced on future cash flows and basic expectations of supply and demand. As China goes, so will go the stock market, despite the underlying strength or weakness of the U.S. Economy.

NATIONAL	Current Period	3 Months Prior	Percent Change over Prior Period	Annual Percent Change	5 Year CAGR*
Wealth					
Personal Income (billions of dollars)	15,468	15,219	1.2%	4.7%	4.4%
Retail Sales, 12 mo. trailing (billions of dollars)	5,297.7	5,280.4	0.4%	2.4%	4.6%
S&P 500	2,043.9	1,920.0	6.5%	-0.7%	10.2%
Business Outlays					
Annual Wages per Employee	52,004	51,658	0.7%	2.9%	3.1%
Consumer Price Index	238.1	237.6	0.1%	0.4%	1.6%
Energy	196.7	198.7	-5.7%	-14.8%	-2.2%
Transportation Services	293.6	291.2	1.0%	2.3%	2.2%
Retail Gasoline Price (dollars per gallon)	2.14	2.37	-9.7%	-10.5%	-7.2%
Economic Overview					
Real Gross Domestic Output (billions of chained 2009 dollars)	16,414	16,334	0.5%	2.1%	2.0%
Employment (in thousands)	143,242	142,371	0.6%	1.9%	1.8%
Unemployment Rate	5.0%	5.1%	-0.1%	-0.6%	-4.3%
Initial Jobless Claims	272,000	276,000	-3.0%	-5.9%	-8.5%
Continuing Jobless Claims	2,195,000	2,209,000	-2.2%	-7.7%	-11.6%
Building Permits, Number of Units, 12 mo. trailing	1,165,777	1,140,034	2.3%	13.3%	14.3%
Valuation (millions of dollars), 12 mo. trailing	218,238	211,894	3.0%	15.0%	16.7%
FHFA Home Price Index	222.4	219.5	1.3%	5.7%	3.7%
Total Business Bankruptcy Filings	6,338	6,166	2.8%	-0.3%	-14.6%
Chapter 7	3,973	4,054	-2.0%	-8.5%	-16.5%
Chapter 11	1,724	1,474	17.0%	26.5%	-10.0%
Chapter 13	525	504	4.2%	-5.7%	-12.3%

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA)(Q3/15); US Census Bureau (NSA) (10/15); Yahoo Finance (12/31/15); Bureau of Labor Statistics, QCEW (NSA) (Q2/15); Bureau of Labor Statistics, All Urban Consumers, US City Average (SA) (11/15); US Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (12/29/15); Bureau of Economic Analysis (SA) (Q3/15); Bureau of Labor Statistics, CES (SA) (12/15); US Department of Labor, Employment and Training Administration (SA) (12/15); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (11/15); FHFA Purchase-Only Home Price Index (SA) (Q3/15); Administrative Office of the US Courts (Q3/15). *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.