Overview

(1) Importance of monitoring the economy
(2) Key indicators and data sources
(3) Current economic snapshot
Why monitor the economy?

Political sector

• Tax revenues are correlated with economic performance
• Spending on social programs closely tied to business cycle
• Forecasting revenues and spending are critical for planning

Private sector

• Long-term investment strategies depend on economic trends
• Some industries are pro-cyclical and others are counter-cyclical

Non-profit sector

• Majority of activities aimed at serving economically disadvantaged
• Economic growth is key to alleviating these many core causes of poverty
Key indicators

Economic output and activity
- GDP and personal income are the primary measures
- Gross and taxable sales
- Building Permits

Labor market performance
- Employment and unemployment
- Labor force participation rates
- Jobs and wage growth
Key indicators – Economic Output

Regional Economic Accounts by the Bureau of Economic Analysis

Reported variables:

- Total and per capita output by geography and by industry (NAICS)
- Total and per capita personal income by geography, industry, and source

Issues to consider:

- 6 month lag for state GDP
- 1 year lag for MSA GDP
- No coverage for rural areas or even counties
- Data are often significantly revised after reporting
- GDP data are available on the South Dakota Dashboard
Key indicators – Economic Output

**Gross and Taxable Sales** by SD Dept. of Revenue

**Reported variables:**

- Gross and Taxable sales statewide and at city level

**Issues to consider:**

- 1 month lag – practically real-time
- Gross sales is best local measure of economic performance
- Taxable sales is correlated with gross sales and total economic activity but more limited
- DOR does not have authority to audit gross sales numbers so can contain significant errors
- Gross sales are available on the South Dakota Dashboard
Key indicators – Labor market performance

Local Areas Unemployment Statistics (LAUS) by the Bureau of Labor Statistics

Reported variables:

• Size of the labor force (employed and unemployed workers)
• Unemployment rate
• Monthly and annual estimates for US, states, counties, and MSAs

Issues to consider:

• 1 month lag
• Data from Current Population Survey (CPS) and state payroll fillings
• Data are subject to revision after reporting
• LAUS data are available through SD DLR Labor Market Information Center (LMIC)
Key indicators – Labor market performance

Quarterly Census of Employment and Wages (QCEW) by BLS

Reported variables:

- Monthly data on employment by industry
- Quarterly data wages and number of establishments
- Number of establishments by size (statewide only)

Issues to consider:

- 5 month lag
- State UI filings; 98% of all jobs covered
- Most industries at national, state, county, and MSA levels
- QCEW data are available through LMIC
Key indicators – Labor market performance

County Business Patterns by the Census Bureau

Reported variables:

• Annual counts of employment, wages, number of establishments by industry
• Number of establishments by size available at county level

Issues to consider:

• 18 month lag
• Same coverage as QCEW but also available at the ZIP code level
• Only available via the Census Bureau at this time
Key indicators – Labor market performance

Occupational Employment Statistics (OES) by BLS

Reported variables:

- Employment levels, and wages by occupation
- 800 occupations at national, state, county, and MSA levels

Issues to consider:

- 1 year lag
- Survey of businesses; 1.2 million establishments over 3 years
- Only source of data on occupations rather than industries
- OES data are available through LMIC
Economic Output (REA)

- GDP measures total economic output of goods and services
- South Dakota ranked 47th out of 50 states
- Only Montana, Wyoming, and Vermont had smaller GDPs than South Dakota in 2016

<table>
<thead>
<tr>
<th>2016 GDP in Millions of USD*</th>
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<tbody>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Colorado</td>
</tr>
<tr>
<td>Nebraska</td>
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<tr>
<td>North Dakota</td>
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<tr>
<td>South Dakota</td>
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<tr>
<td>Montana</td>
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<tr>
<td>Wyoming</td>
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* Chained 2009 dollars
GDP per Capita (REA)

- GDP per capita is a better measure than simple GDP.
- South Dakota ranked 23rd in terms of GDP per capita!
- South Dakota ranked ahead of Utah, Florida, Arizona, Wisconsin, and many more.

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>SD</th>
<th>Nebraska</th>
<th>Wyoming</th>
<th>Colorado</th>
<th>Montana</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>48,062</td>
<td>42,762</td>
<td>46,062</td>
<td>57,642</td>
<td>51,473</td>
<td>36,120</td>
</tr>
<tr>
<td>2010</td>
<td>47,287</td>
<td>45,605</td>
<td>49,569</td>
<td>64,603</td>
<td>49,254</td>
<td>37,733</td>
</tr>
<tr>
<td>2015</td>
<td>50,155</td>
<td>47,706</td>
<td>52,878</td>
<td>60,908</td>
<td>52,622</td>
<td>39,686</td>
</tr>
<tr>
<td>2016</td>
<td>50,577</td>
<td>48,076</td>
<td>53,114</td>
<td>58,821</td>
<td>52,795</td>
<td>39,356</td>
</tr>
</tbody>
</table>

* Chained 2009 dollars
Economic growth (REA)

- Economic growth in SD has been strong relative to neighbors
- The entire region slightly lags the nation
- Regional GDP less volatile than national GDP
South Dakota GDP by Industry (REA)

- Government: 11.8%
- Accommodation and food services: 3.9%
- Education and health care: 10%
- Professional and business services: 6.5%
- Finance and insurance: 24.8%
- Information and publishing: 2.6%
- Transportation and warehousing: 2.4%
- Retail trade: 7.7%
- Wholesale trade: 7.4%
- Manufacturing: 9.4%
- Construction: 4.6%
- Utilities: 1.7%
- Mining: 0.3%
- Agriculture: 6.9%
Labor Force Participation Rate (LFPR) (LAUS)

• Fraction of adult civilian population in the labor force
• Strong economy needs high percentage of persons in the labor force
Employment to Population Ratio (EPR) (LAUS)

- Fraction of adult civilian population that are working
- All economic activity stems from this group

![Graph showing Employment to Population Ratio (EPR) for different states over years 2000 to 2016.](image)
Unemployment Concepts
Unemployment Definition

Who counts as unemployed?

1. Adult civilian population
2. Not worked in the last 4 weeks
3. Currently looking for work

Unemployment Rate

\[ UR = \frac{Unemployed}{Unemployed + Employed} = \frac{Unemployed}{Labor \ Force} \]
Types of Unemployment

We recognize three types of unemployment

(1) **Frictional**: short-term and related to job search
(2) **Structural**: longer-term and related to “creative destruction”
(3) **Cyclical**: caused by business cycle and seasonal fluctuations

Frictional Unemployment is Good!!!
The unemployment rate in SD is typically half the national rate.
South Dakota usually ranks in the “top five” low unemployment states.
Currently ranked 8th in nation (3.3% in August 2017).
Additional Unemployment Considerations

The official unemployment rate (called U3) does not count:

(1) Discouraged workers (no job and gave up searching)
(2) Marginally attached workers (no job and want one, but not currently searching)
(3) Underemployed workers (have a job but can’t get full time hours)
Sources

GDP

- Regional Economic Accounts
- https://www.bea.gov/regional/downloadzip.cfm

Labor Force Statistics

- Current Population Survey and Local Area Unemployment Statistics
- National: https://data.bls.gov/cgi-bin/surveymost?ln
- State: https://www.bls.gov/lau/staadata.txt

Unemployment Rates

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- State: https://www.bls.gov/lau/staadata.txt
- Local: https://www.bls.gov/lau/tables.htm