



Report for
South Dakota
2010

2010 Labor Market Report for South Dakota

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The Recession

An economy naturally cycles through a series of expansions and contractions. However, a recession is basically an extreme economic contraction. It begins at the last high point, or peak, of economic activity and ends when at its lowest point, or trough. Interestingly, the start and end points of a recession can only be identified in retrospect.

The National Bureau of Economic Research (NBER) is the entity that officially declares recessions in the United States. They define a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real gross domestic product (GDP), real income, employment, industrial production and wholesale-retail sales." In other words, it is the weakening of multiple economic factors that determines a recession.

To determine significant declines in multiple economic factors, it is customary to use seasonally adjusted data, especially when determining the start and end dates of a recession. Regarding declines in employment, both nonfarm employment levels and labor force employed levels are referenced. Nonfarm employment estimates are available through the Current Employment Statistic (CES) program, and labor force employed estimates are available through the Local Area Unemployment Statistics (LAUS) program. Both of these programs are administered by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor.

By monitoring the trends of these multiple economic factors, the NBER determined the most recent national recession started in December 2007. As reported on September 20, 2010, the Business Cycle Dating Committee of the NBER determined that a trough in business activity occurred in the U.S. economy in June 2009.

The trough marked the end of the recession that began in December 2007 and the beginning of an expansion. The recession lasted 18 months, which made it the longest recession since World War II. Previously the longest postwar recessions were those of 1973-75 and 1981-82, which each lasted 16 months.

Recent National Recessions		
Start	End	Duration (in Months)
August 1929	March 1933	43
May 1937	June 1938	13
February 1945	October 1945	8
November 1948	October 1949	11
July 1953	May 1954	10
August 1957	April 1958	8
April 1960	February 1961	10
December 1969	November 1970	11
November 1973	March 1975	16
January 1980	July 1980	6
July 1981	November 1982	16
July 1990	March 1991	8
March 2001	November 2001	8
December 2007	June 2009	18
<i>Source: National Bureau of Economic Research</i>		

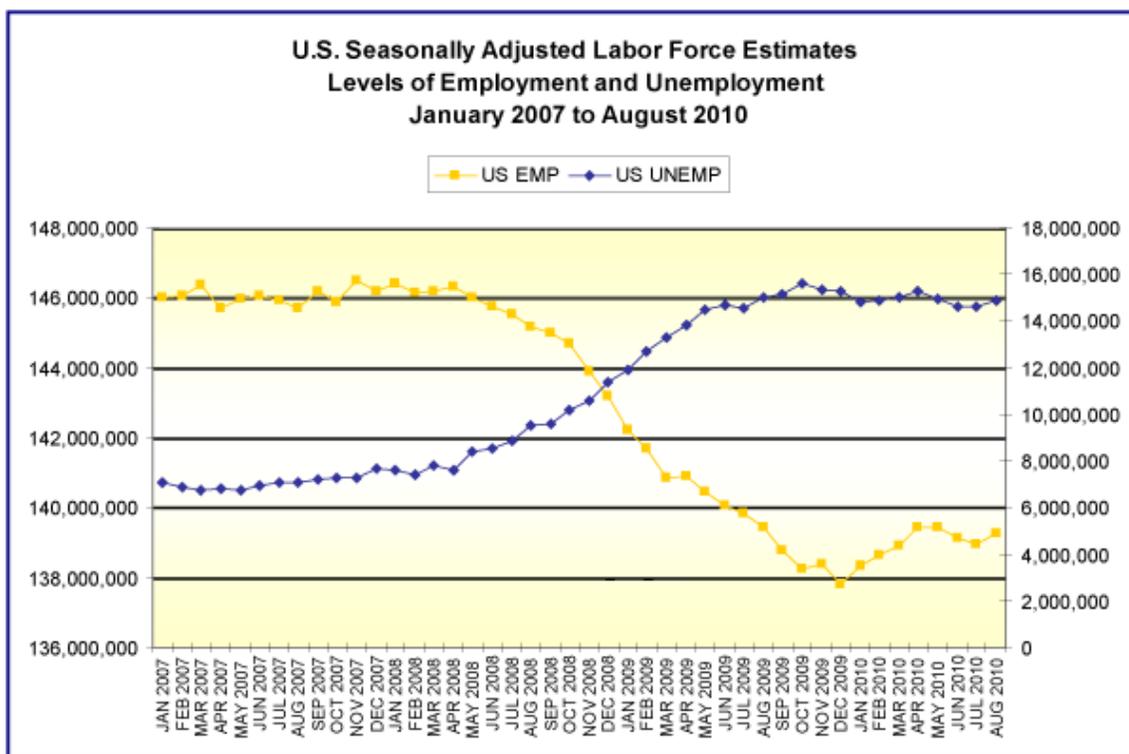
In determining that a trough occurred in June 2009, the committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity. Rather, the committee determined only that the recession ended and a recovery began in that month. The trough marks the end of the declining phase and the start of the rising phase of the business cycle. Economic activity is typically below normal in the early stages of an expansion, and it sometimes remains there well into the expansion. The committee decided that any future downturn of the economy would be a new recession and not a continuation of the recession that began in December 2007. The basis for this decision was the length and strength of the recovery to date.

The committee waited to make its decision until revisions in the National Income and Product Accounts, released on July 30 and August 27, 2010, clarified the 2009 time path of the two broadest measures of economic activity, real Gross Domestic Product (real GDP) and real Gross Domestic Income (real GDI). The committee noted that in the most recent data, for the second quarter of 2010, the average of real GDP and real GDI was 3.1 percent above its low in the second quarter of 2009 but remained 1.3 percent below the previous peak, which was reached in the fourth quarter of 2007.

The entire announcement is available on the NBER website at <http://www.nber.org/cycles/sept2010.html>.

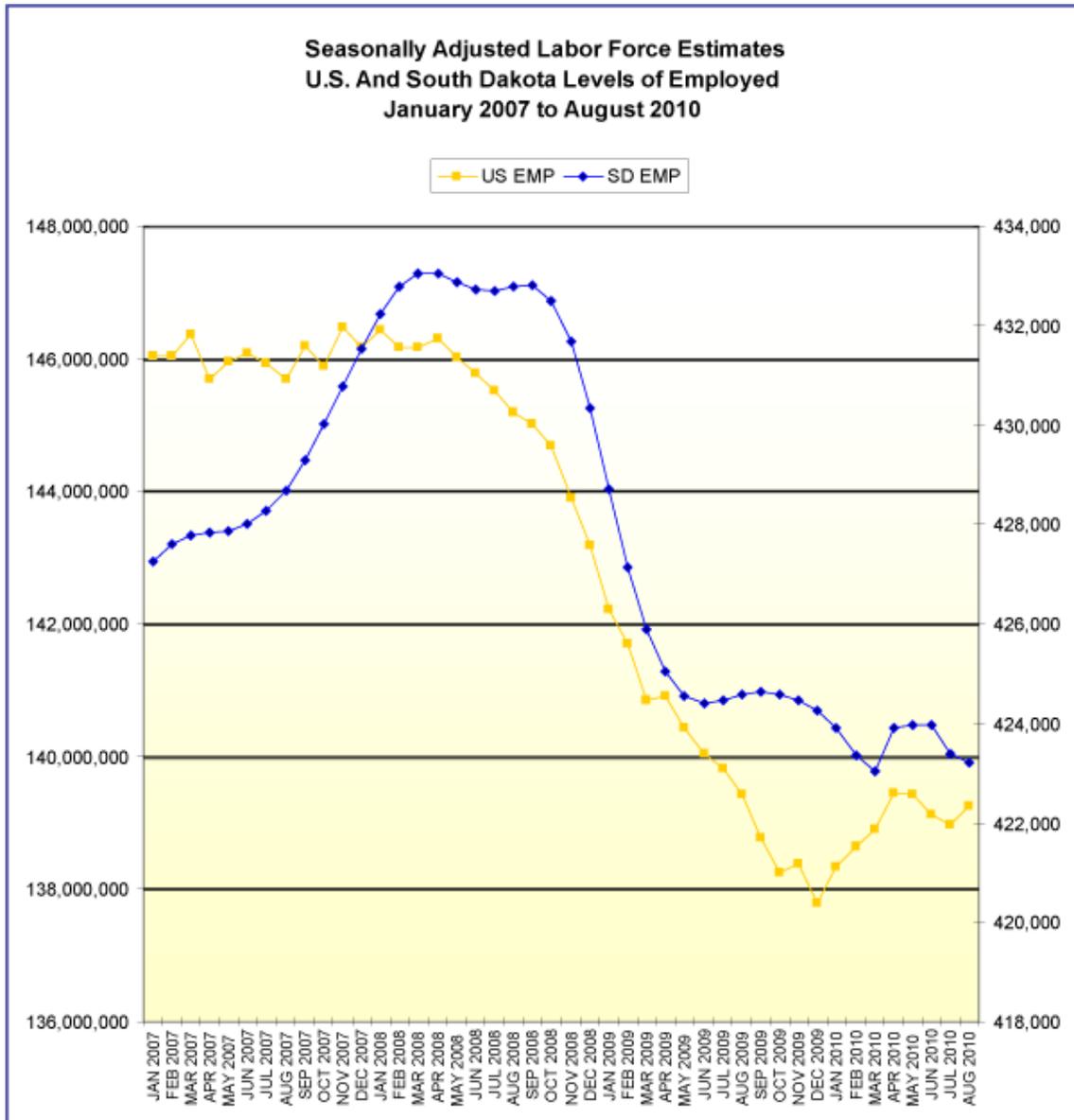
Labor Force Estimates During the Recession

The graph below depicts the drastic changes within the national labor force levels of employed and unemployed from January 2007 (prior to the start of the recession in December 2007) through August 2010 (the most current data available at time of publication).

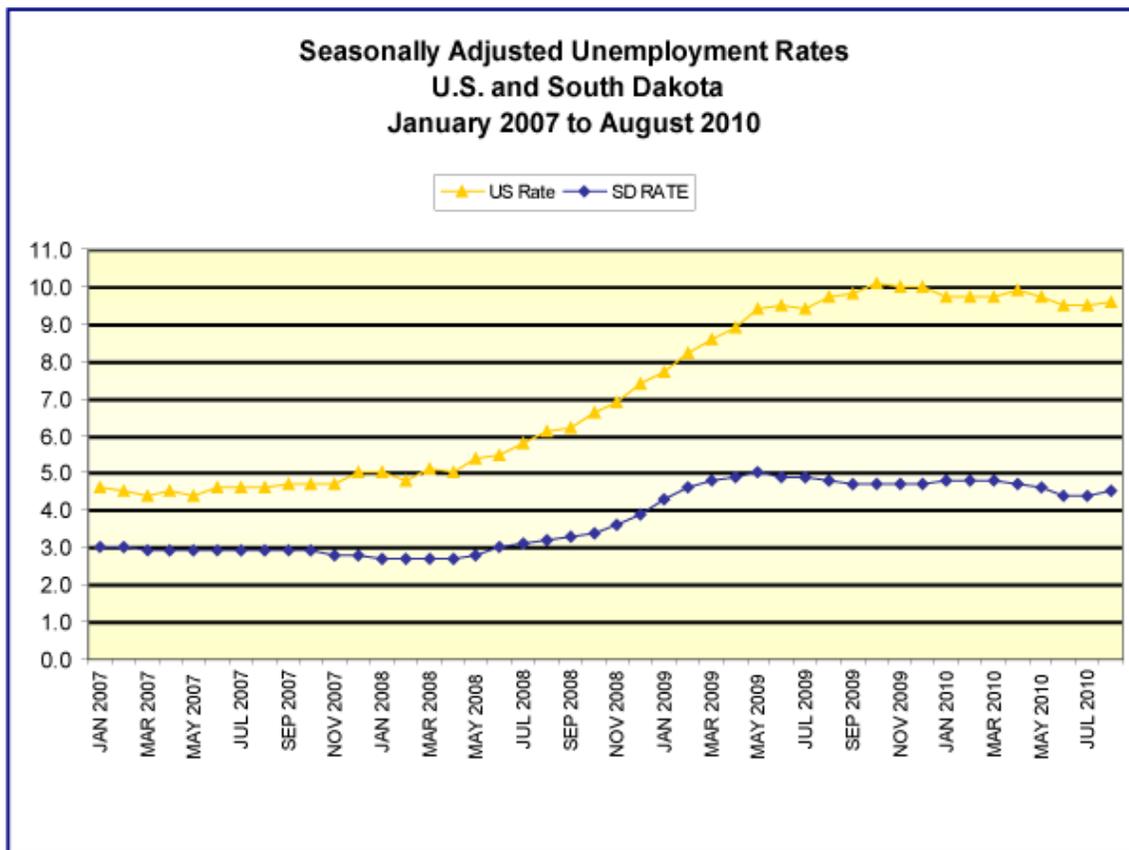


Although the NBER officially declares recessions for the nation as a whole, it does not do so for individual states, regions or other economic entities. In contrast, these smaller-scale economies may not suffer the same impact or follow at the same pace as the rest of the nation as a whole.

For example, the graph below compares the seasonally adjusted levels of the labor force employment levels for both the U.S. and South Dakota. It clearly shows at the beginning of the recent recession, South Dakota seemed immune to the seriousness of the economic stresses suffered by the rest of the country. Inevitably, delayed effects of the recession impacted South Dakota, shown by the steady decline in employment levels that started during the latter part of 2008.

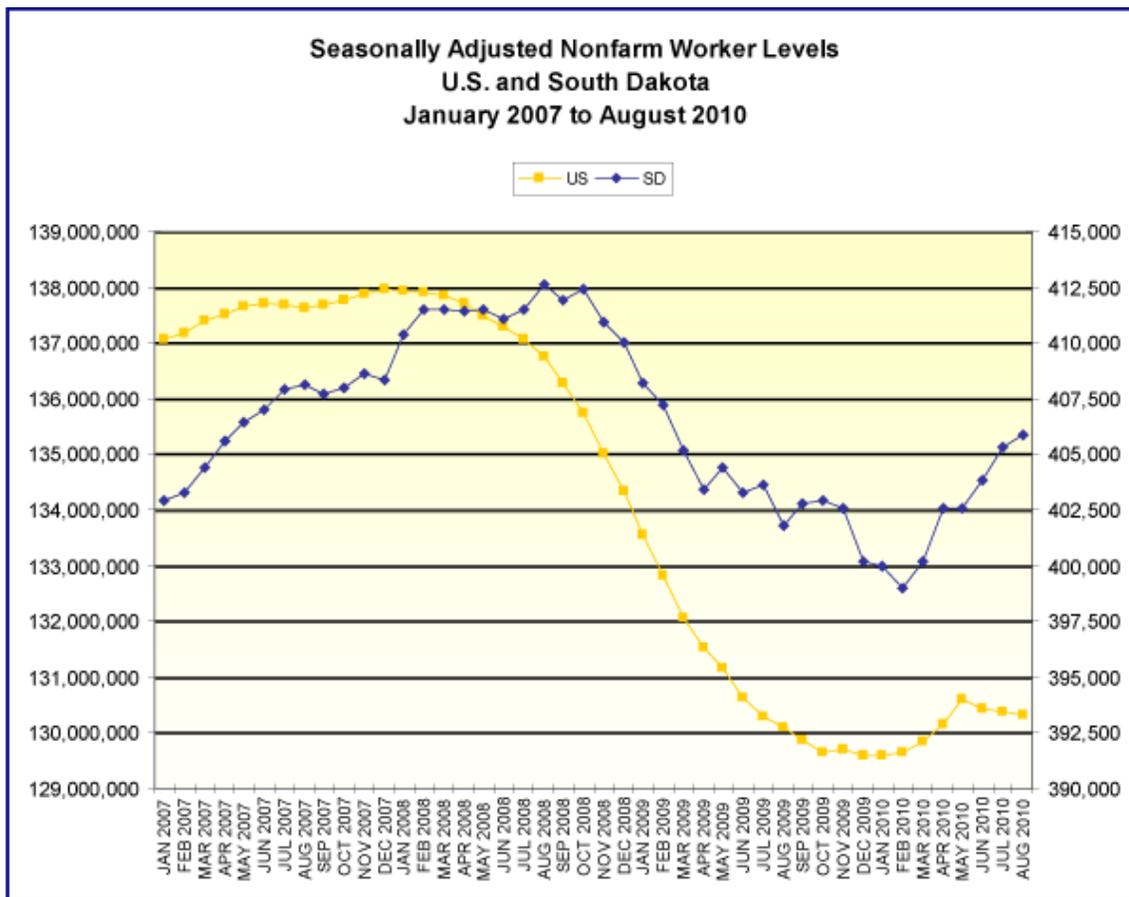


The graph below compares unemployment rates for both the United States and South Dakota for the January 2007 to August 2010 time period. The national unemployment rate started climbing during the fourth quarter of 2007, whereas the South Dakota rate started increasing during the second quarter of 2008. The tail end of the graph shows the rates leveling off, but at significantly higher levels compared to the start of the recession.



Nonfarm Worker Estimates During the Recession

Another economic indicator closely watched during the recession was the nonfarm worker level. The graph on the following page shows national nonfarm employment (based on the BLS survey of employers) peaked in December 2007 and declined for several months before starting to show a slowing of worker losses and some growth during the first quarter of 2010.



Nonfarm employment in South Dakota peaked in the fourth quarter of 2008, several months after the start of the national recession. Growth started during the first quarter of 2009 and continued through August 2010.

However, worker levels across the nation remain depressed compared to pre-recession levels, which is expected to continue for some time as our national economy works toward recovery.

Mass Layoff Statistics During the Recession

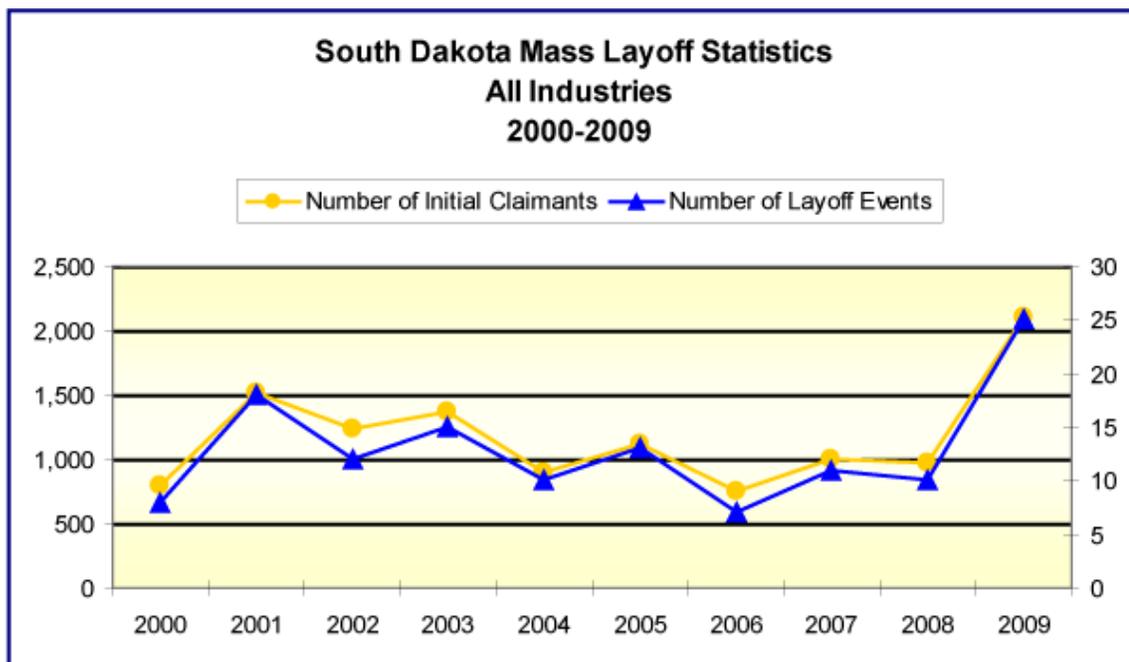
Data from the Mass Layoffs Statistics (MLS) program, which is also administered by the U.S. Bureau of Labor Statistics, provides another corresponding insight into the most current recession. The MLS program uses a standardized approach to identify, describe and track the effects of major job cutbacks using data from the state's unemployment insurance database.

The national threshold to be considered a mass layoff is 50 initial claims for unemployment insurance benefits. Therefore, establishments which have at least 50 initial claims for unemployment insurance (UI) filed against them during a consecutive five-week period are contacted by state agencies to determine whether those separations have a duration of at least 31 days. If so, then information is gathered on the total number of workers separated, the reasons for those separations and recall expectations.

The Labor Market Information Center of the South Dakota Department of Labor works in cooperation with the Bureau of Labor Statistics to conduct the MLS program. The table on the next page compares the number of initial claimants and the number of layoff events in which 50 or more workers were laid off for at least 31 days, for all South Dakota industries from 2000 through 2009.

South Dakota Mass Layoff Statistics All Industries		
Year	Number of Initial Claimants	Number of Layoff Events
2000	801	8
2001	1,515	18
2002	1,241	12
2003	1,363	15
2004	897	10
2005	1,117	13
2006	752	7
2007	1,001	11
2008	966	10
2009	2,099	25

The corresponding graph of the initial claimants and layoff events spikes during both the 2001 and 2009 recessionary periods, the most recent documented recessionary periods our nation has faced. The graph of the two corresponding series shows, as expected, the number of initial claims and layoff events follow the same trend line.



Due to the methodology of the MLS program and the definition of a layoff event, a South Dakota layoff event will not trigger for an employer with less than 50 employees, or for an employer for which less than 50 initial unemployment insurance claims are filed within a five week period. Therefore, layoff data for smaller employers is not captured through the MLS program. Find more information on Mass Layoff Statistics, available on the U.S. Bureau of Labor Statistics website at <http://www.bls.gov/mls>.

Economic Indicators

Nonfarm Worker Trends

Looking at the most current over-the-year trends in nonfarm worker data, the South Dakota total nonfarm employment declined by 7,700 workers (or 1.9 percent) from 2008 to 2009. Every private industry sector except education and health care showed a loss during this time period; total government showed growth. Nationally, the nonfarm employment percentage loss during 2009 was 4.3 percent.

Only in the years 1943, 1944 and 1982 has the percent of annualized South Dakota total nonfarm worker levels showed sharper decreases than in 2009. The losses in 1943 and 1944 were related to World War II, as military personnel are not counted in nonfarm employment. In 1982, South Dakota agriculture was hit hard by the recession, and secured bank loans had reached up to a 20 percent annualized interest rate. The economic blow of the current South Dakota recession, which started in October 2008, has been softened somewhat by the agriculture economy, which helps support South Dakota's total economy.

There was a total private worker loss of 9,100 (or 2.7 percent) from 2008 to 2009. Mining, logging and construction showed a 1,600 worker (or 6.9 percent) loss. Historically low mortgage rates and federal stimulus money helped lessen worker losses in this industry (which is mainly comprised of construction workers), but did not prevent worker losses after two decades of annualized worker growth.

South Dakota Statewide Nonfarm Wage & Salaried Workers by Industry				
Industry	2008 Annual Average	2009 Annual Average	Net Change	Percent Change
Total Nonfarm	411,400	403,700	-7,700	-1.9%
Total Private	335,200	326,100	-9,100	-2.7%
Natural Resources, Mining and Construction	23,300	21,700	-1,600	-6.9%
Manufacturing	42,700	37,900	-4,800	-11.2%
Wholesale Trade	18,700	18,300	-400	-2.1%
Retail Trade	50,200	49,600	-600	-1.2%
Transportation, Warehousing & Utilities	13,200	12,900	-300	-2.3%
Information	6,900	6,700	-200	-2.9%
Financial Activities	31,000	30,500	-500	-1.6%
Professional & Business Services	28,000	26,500	-1,500	-5.4%
Educational & Health Services	62,000	63,300	1,300	2.1%
Leisure & Hospitality	43,200	43,000	-200	-0.5%
Other Services (except Public Administration)	15,900	15,700	-200	-1.3%
Government	76,200	77,700	1,500	2.0%
<i>Note: Numbers may not add due to rounding.</i>				
<i>Source: Labor Market Information Center, South Dakota Department of Labor, March 2010.</i>				

Manufacturing lost 4,800 workers (or 11.2 percent). When consumer confidence started dropping in late 2008, so did South Dakota's manufacturing employment levels. Until 2009, South Dakota's manufacturing had shown annual growth since 2004, despite the national estimates declining since 1998.

Wholesale trade worker levels decreased by 400 workers (or 2.1 percent). The strong agriculture economy in South Dakota helped this industry avoid a more dramatic loss.

The **retail trade** sector declined by 600 workers (or 1.2 percent) from 2008 to 2009. Of the industries showing losses in South Dakota, retail trade had the second smallest loss. Retail trade reflects more on local consumers' confidence, as there are many non-essential items sold in retail.

Transportation, warehousing and utilities decreased by 300 workers (or 2.3 percent). Decreases in transportation and warehousing are correlated to the decreases in the trade industries. Transportation and warehousing employers accommodate the needs of wholesale trade and retail trade businesses as well as the agriculture industry.

The **information** super sector decreased by 200 workers (or 2.9 percent) as the industry streamlined from reduced consumer demand.

Worker levels in the **financial activities** industry dropped 500 (or 1.6 percent). Most of the losses came from national and local credit card operations, which were affected by consumer financial woes and legislatively restricted credit card practices. Non-credit card banking weathered fairly well. South Dakota businesses in this sector were possibly more cautious regarding loan procedures and therefore have not suffered as much from non-collectable loans when compared to the national level.

Professional and business services declined by 1,500 workers (or 5.4 percent). The professional and business service industry decrease was a result of recession-affected businesses hiring fewer workers through temporary help agencies and from businesses that reduced output. Reduced output led to businesses no longer needing the prior level of services provided by this sector. As the state and the nation work toward recovery, the level of workers in professional and business services is expected to rebound.

Education and health services increased by 1,300 workers (or 2.1 percent). Most of this growth is related to the health care and social services industry, which increased by 1,200 workers. The continued demand for more workers in this industry is related to several factors, including continued population growth in South Dakota and new medical procedures which require additional staff. Many of these new discoveries increase life expectancy. Therefore, people are living longer, and the aged typically are higher users of health care services than are younger groups.

Leisure and hospitality declined by 200 workers (or 0.5 percent), which is in stark contrast to the national leisure and hospitality loss of 2.5 percent. Evidently South Dakota's small loss is the result of South Dakota remaining a good value for visitors. An interesting note is that during the 2001 recession, leisure and hospitality did not lose employment but remained basically unchanged with a 100 worker gain.

Other services showed a loss of 200 workers (or 1.3 percent) from 2008 to 2009. Other services' losses appeared to have come mainly from automotive repair and maintenance and from personal and laundry services.

Total **government** produced a growth of 1,500 workers (or 2.0 percent). The largest percent of government growth can be attributed to growth in the Sioux Falls Metropolitan Statistical Area (MSA) (4.0 percent) and Rapid City MSA (3.9 percent), while the balance of state (statewide minus the MSAs) showed a 1.1 percent increase. The government growth was strongly influenced by federal stimulus spending that targeted all government entities.

Nonfarm Worker Trends in the Rapid City Metropolitan Statistical Area (MSA)

The Rapid City MSA's total nonfarm worker level dropped by 1,100 workers (or 1.8 percent) from 2008 to 2009. Of the total loss, 500 of these workers (or 15.6 percent) were in the **manufacturing** industry.

Rapid City MSA Nonfarm Wage & Salaried Workers by Industry (Meade & Pennington Counties)				
Industry	2008 Annual Average	2009 Annual Average	Net Change	Percent Change
Total Nonfarm	61,900	60,800	-1,100	-1.8%
Total Private	51,700	50,300	-1,400	-2.7%
Natural Resources, Mining and Construction	5,000	4,700	-300	-6.0%
Manufacturing	3,200	2,700	-500	-15.6%
Wholesale Trade	2,200	2,100	-100	-4.5%
Retail Trade	9,000	8,900	-100	-1.1%
Transportation, Warehousing & Utilities	2,100	2,000	-100	-4.8%
Information	1,000	1,000	0	0.0%
Financial Activities	3,800	3,700	-100	-2.6%
Professional & Business Services	4,800	4,600	-200	-4.2%
Educational & Health Services	9,400	9,500	100	1.1%
Leisure & Hospitality	8,600	8,500	-100	-1.2%
Other Services (except Public Administration)	2,800	2,700	-100	-3.6%
Government	10,200	10,600	400	3.9%
<i>Note: Numbers may not add due to rounding.</i>				
<i>Source: Labor Market Information Center, South Dakota Department of Labor, March 2010</i>				

Nonfarm Workers Trends in the Sioux Falls Metropolitan Statistical Area (MSA)

The Sioux Falls MSA total nonfarm employment decreased by 2,600 workers (or 1.9 percent) from 2008 to 2009, with most of the worker losses centered within the **mining, logging and construction**; **manufacturing**; and **professional and business services** sectors.

Sioux Falls MSA Nonfarm Wage & Salaried Workers by Industry (Lincoln, Minnehaha, McCook & Turner Counties)				
Industry	2008 Annual Average	2009 Annual Average	Net Change	Percent Change
Total Nonfarm	136,200	133,600	-2,600	-1.9%
Total Private	123,800	120,700	-3,100	-2.5%
Natural Resources, Mining and Construction	7,800	7,100	-700	-9.0%
Manufacturing	13,500	12,300	-1,200	-8.9%
Wholesale Trade	6,800	6,700	-100	-1.5%
Retail Trade	16,700	16,400	-300	-1.8%
Transportation, Warehousing & Utilities	5,200	5,000	-200	-3.8%
Information	3,100	3,000	-100	-3.2%
Financial Activities	16,700	16,400	-300	-1.8%
Professional & Business Services	11,300	10,800	-500	-4.4%
Educational & Health Services	24,800	25,400	600	2.4%
Leisure & Hospitality	13,100	12,900	-200	-1.5%
Other Services (except Public Administration)	4,700	4,600	-100	-2.1%
Government	12,400	12,900	500	4.0%
<i>Note: Numbers may not add due to rounding.</i>				
<i>Source: Labor Market Information Center, South Dakota Department of Labor, March 2010.</i>				

Nonfarm Workers Trends in the Balance of State

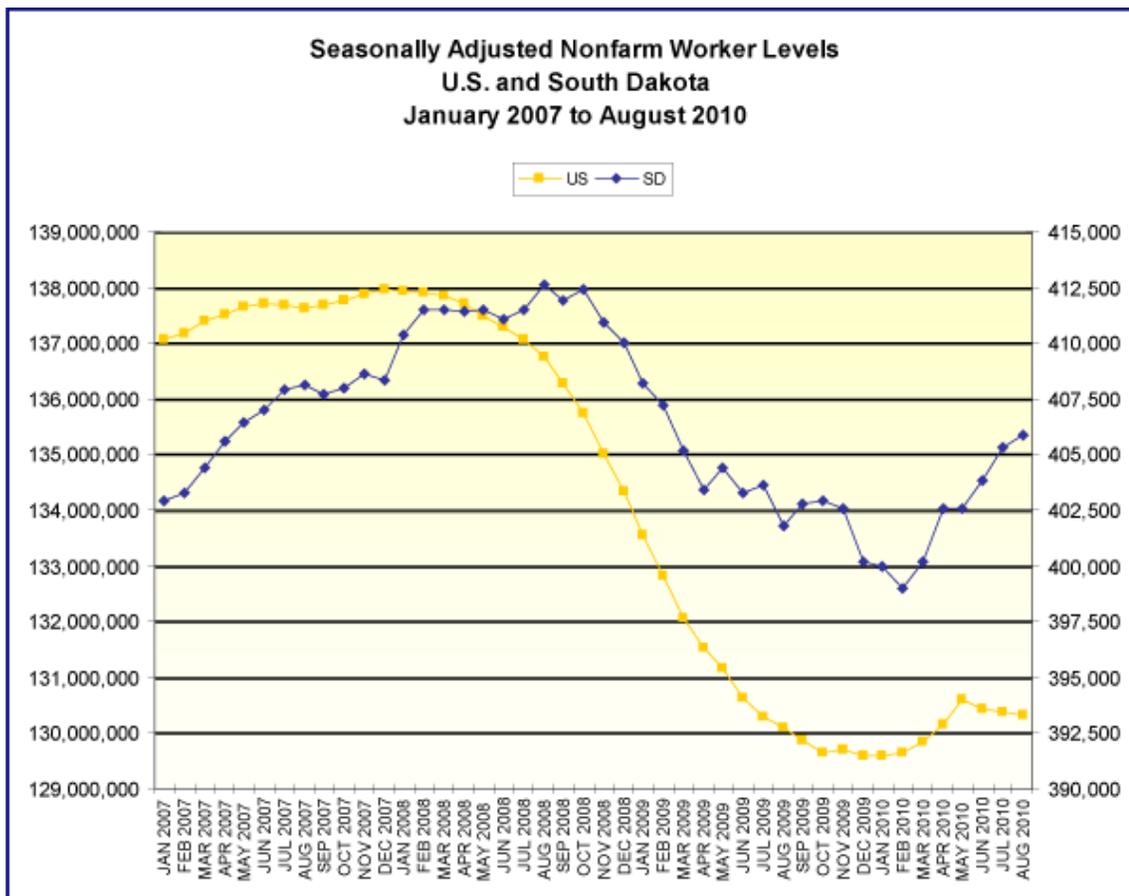
The balance of state is comprised of all counties not defined as part of a Metropolitan Statistical Area (MSA). Therefore, balance of state includes all counties except Pennington, Meade, Lincoln, Minnehaha, McCook and Turner Counties. Analysis of the balance of state data shows how industries are doing in the more rural areas of South Dakota.

For this area, employment declined by 4,000 workers (or 1.9 percent) from 2008 to 2009, reflecting the same rate of worker loss as statewide South Dakota. The largest losses came from the **manufacturing** sector with a 3,100 worker (or 11.9 percent) decrease, and the professional and business service industry with a 800 worker (or 6.7 percent) drop.

Balance of State*				
Nonfarm Wage & Salaried Workers by Industry				
Industry	2008 Annual Average	2009 Annual Average	Net Change	Percent Change
Total Nonfarm	213,300	209,300	-4,000	-1.9%
Total Private	159,700	155,100	-4,600	-2.9%
Natural Resources, Mining and Construction	10,500	9,900	-600	-5.7%
Manufacturing	26,000	22,900	-3,100	-11.9%
Wholesale Trade	9,700	9,500	-200	-2.1%
Retail Trade	24,500	24,300	-200	-0.8%
Transportation, Warehousing & Utilities	5,900	5,900	0	0.0%
Information	2,800	2,700	-100	-3.6%
Financial Activities	10,500	10,400	-100	-1.0%
Professional & Business Services	11,900	11,100	-800	-6.7%
Educational & Health Services	27,800	28,400	600	2.2%
Leisure & Hospitality	21,500	21,600	100	0.5%
Other Services (except Public Administration)	8,400	8,400	0	0.0%
Government	53,600	54,200	600	1.1%
<p><i>*Balance of State includes all counties of South Dakota except those included in the Metropolitan Statistical Areas (Pennington, Meade, Lincoln, Minnehaha, McCook and Turner counties).</i></p> <p><i>Note: Numbers may not add due to rounding.</i></p> <p><i>Source: Labor Market Information Center, South Dakota Department of Labor, March 2010.</i></p>				

Nonfarm worker trends thus far in 2010

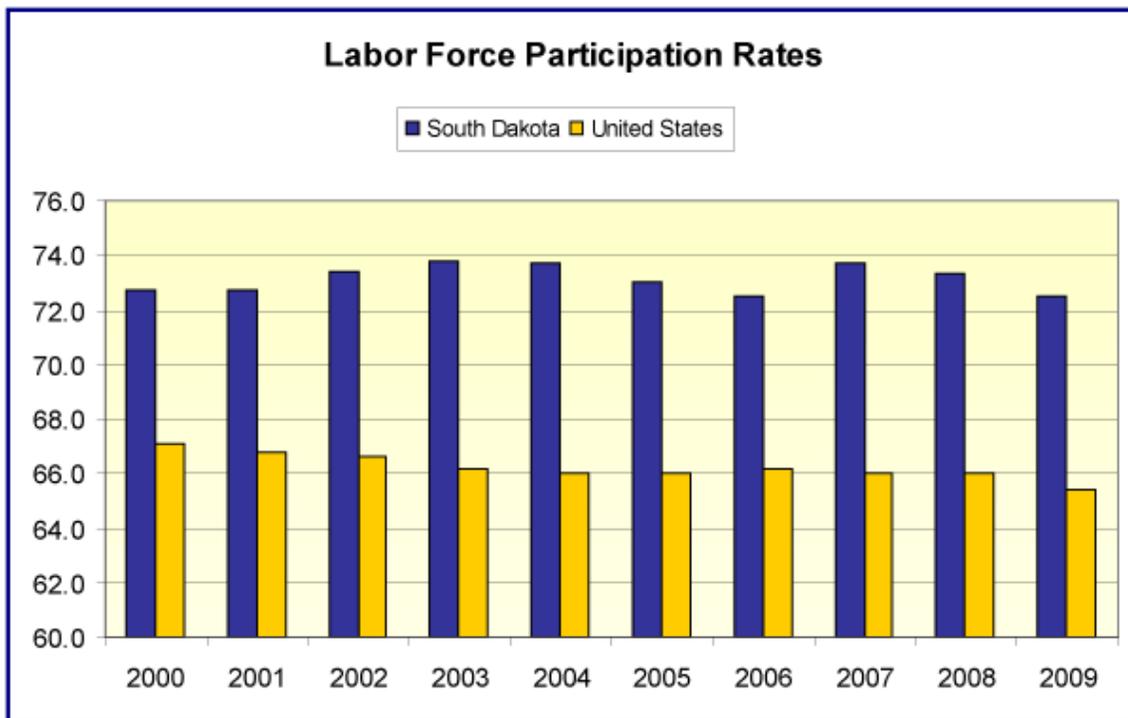
Preliminary, seasonally adjusted estimates for 2010 show the nonfarm employment level stabilizing and showing an upward trend in South Dakota. The national nonfarm worker level showed steady growth through May 2010, then started to slide down again.



Looking at rates of growth, the preliminary over-the-year increase in the South Dakota nonfarm worker level for August 2010 is 1.0 percent; the national growth rate for this same period was 0.2 percent.

Labor Force Trends

The residents of South Dakota participate in the labor force at a very high rate. The most recent annual Current Population Survey (CPS) figures show South Dakota's labor force participation rate was 72.5 percent in 2009. In other words, more than 72 percent of all (non-institutionalized) residents age 16 years and older were in the labor force, either working or looking for work. This compares to a 2009 national average of 65.4 percent. Historically, South Dakota has consistently had higher rates of labor force participation compared to the nation.



South Dakota's participation rate of 72.5 percent was the highest rate of all the states. North Dakota and Nebraska followed close behind, each at 72.4 percent. The youth in South Dakota were also comparatively more active participants in the labor force. In 2009, 55.3 percent of our youth (age 16-19 years) were in the labor force, compared to the national rate of 37.5 percent. Iowa had the highest rate at 58.1 percent. Nebraska ranked third at 55.2 percent, and Wisconsin ranked fourth at 54.5 percent. Mississippi had the lowest youth participation rate at 26.8 percent.

2009 Annual Average Labor Force Participation Rates								
	Total	16-19	20-24	25-34	35-44	45-54	55-64	65+
United States	65.4	37.5	72.9	82.7	83.7	81.6	64.9	17.2
South Dakota	72.5	55.3	75.0	88.2	90.0	88.5	75.1	28.8

Source: Geographic Profile of Employment, Bureau of Labor Statistics, US Department of Labor.

At the other end of the age spectrum, South Dakota ranked first in the percentage of residents 65 years and older who were working or looking for work. In our state, 28.8 percent of residents in this age group participated in the labor force in 2009. The national average is 17.2 percent. The national rate in 2008 was 16.8 and even lower in 2007 at 16.0 percent. The recession has impacted the retirement plans of many older workers across the country, which correlates with the recently increasing labor force participation rate for the age group of 65 years and older.

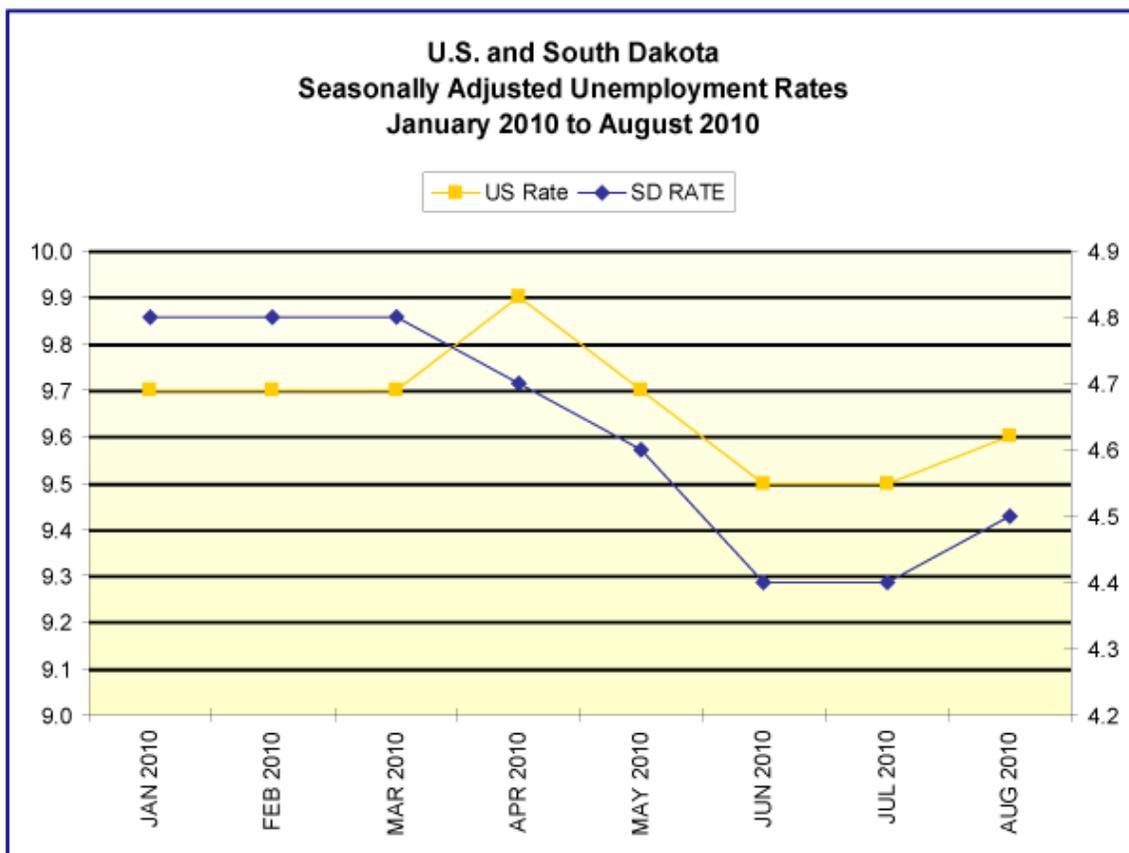
A closer look at some of the demographic groups shows South Dakota's percentage of residents in the labor force ranks near the top nationally in many instances. With a female labor force participation rate of 68.3 percent in 2009, South Dakota ranked second, behind only Vermont (68.8) percent. West Virginia had the lowest rate at 49.2 percent, with the national average at 59.2 percent.

The state's male labor force participation rate of 76.7 percent ranked seventh, behind Iowa (77.0 percent), North Dakota (77.3 percent), Kansas (78.0 percent), Colorado (78.6 percent), Wyoming (78.9 percent) and Utah (79.1 percent). Mississippi had the lowest rate at 63.6 percent, and the national average was 72.0 percent.

The 2009 annual average unemployment rate was 4.8 percent in South Dakota, compared to the national rate of 9.3 percent. This compares to statewide annual average rates of 3.1 percent in 2008 and 2.9 percent in 2007 (prior to the recession).

Although the NBER determined the nation's recession began in December 2007, South Dakota's employment levels weathered the nation's economic slide for the first three quarters of 2008. Nationally, the level of employed peaked in November 2007 and has been dropping ever since; however, South Dakota's level of employed did not decline for another 10 months. As the demand for South Dakota products and services decreased nationwide, the employment levels for the fourth quarter of 2008 fell, offsetting the year's growth. Thus, increasing unemployment rates became the norm in our state, as well as across the nation, as the recession continued.

Preliminary seasonally adjusted estimates for 2010 show the state unemployment rate stabilizing, and showing a downward trend. The preliminary state rate for August 2010 is 4.5 percent, compared to the national rate of 9.6.



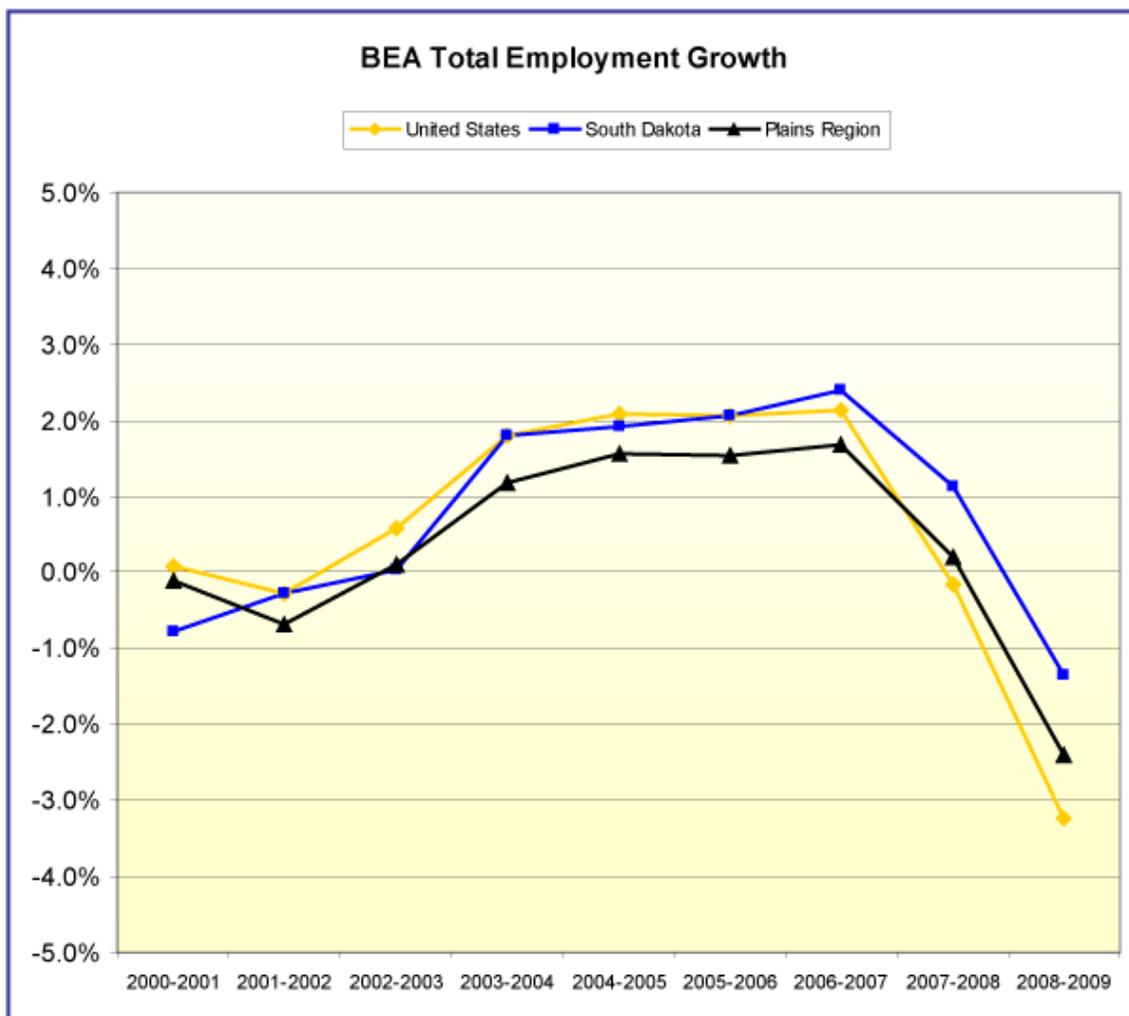
BEA Economic Indicators (Employment, Personal Income and Gross Domestic Product)

Employment Data from BEA

The U.S. Bureau of Economic Analysis (BEA) also publishes employment data for state and local areas, which includes an estimate of the total number of jobs, including detail by full-time or part-time status (full-time and part-time jobs are counted at equal weight) and by place of work. Employees, sole proprietors and active partners are all included, but unpaid family workers and volunteers are not. Proprietors are those workers who own and operate their own businesses and are reported as either farm or nonfarm workers.

The number of workers covered by unemployment insurance is a key component of the employment data published by the BEA and in information compiled by the U.S. Bureau of Labor Statistics. More information regarding covered workers in South Dakota is available on the Labor Market Information Center website at http://dol.sd.gov/lmic/menu_covered_workers.aspx#annsum.

The chart below shows, using the BEA data, annual employment change during the 2000-2009 period. Comparative data is included for the United States, South Dakota and the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota).



For the 2008-2009 period, which reflected the worst impact of the recession, South Dakota had a total employment loss rate of 1.4 percent, compared to a loss rate of 2.4 percent for the Plains Region and 3.2 percent for the nation.

The two employment sectors which comprise total employment include proprietor employment and wage and salary employment. Reflective of the layoffs that occurred across the county during the 2007-2008 period, there was a decrease nationally in wage and salary employment; however, both South Dakota and the Plains Region showed growth during this period. However, recessionary impacts are evident for all three areas during 2008-2009, with all areas showing decreased wage and salary employment levels.

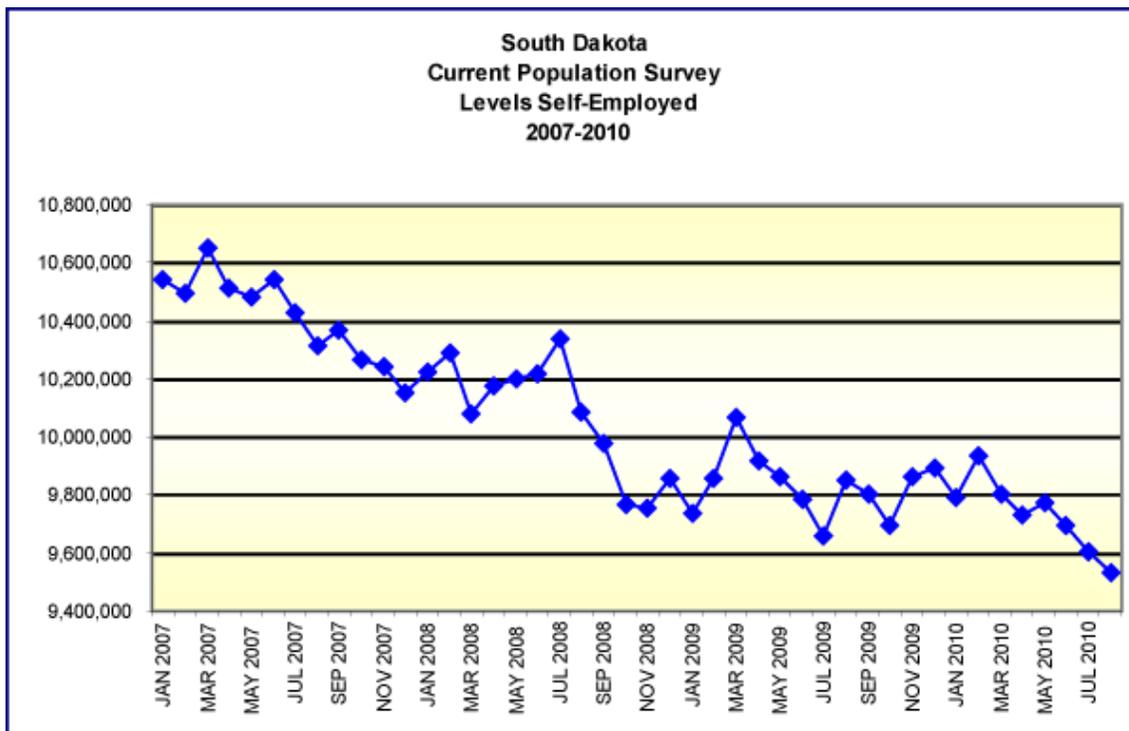
Growth by Employment Sectors		
Total Employment	2007-08	2008-09
South Dakota	1.1%	-1.4%
Plains Region	0.2%	-2.4%
United States	-0.2%	-3.2%
Proprietor Employment	2007-08	2008-09
South Dakota	0.0%	0.8%
Plains Region	0.2%	1.0%
United States	0.6%	1.4%
Wage and Salary Employment	2007-08	2008-09
South Dakota	1.5%	-2.0%
Plains Region	0.2%	-3.3%
United States	-0.3%	-4.4%

In South Dakota, proprietor employment remained stable from 2007-2008, while the Plains Region and the United States experienced growth. Surprisingly, all three areas experienced job growth in the proprietor sector from 2008-2009. Generally, the expectation would be the level of proprietor employment to also decline as the recession progressed; however, the 2010 BEA employment estimates will not be published until late 2010. Of course, when people are laid off with little re-employment hopes, some may see good opportunity to venture out on their own.

The Bureau of Labor Statistics (BLS) also publishes national estimates of the self-employed, for both the agriculture (and related industries) and the nonfarm industry sectors, from the Current Population Survey (CPS) data. The CPS data shows from the onset of the recession in 2007 through 2009 there was a net decrease in the level of self-employed, as displayed in the table below.

CPS Self-Employed Workers			
Year	Total	Agriculture, Forestry, Fishing, and Hunting	Nonagricultural Industries
2007	10,413,000	856,000	9,557,000
2008	10,079,000	860,000	9,219,000
2009	9,831,000	836,000	8,995,000
Net Change 2007-2008	-582,000	-20,000	-562,000
Percent Change	-5.6%	-2.3%	-5.9%

Total self-employed decreased by 582,000 (-5.6 percent). Of the two components, the agriculture and related industries decreased by 20,000 workers (-2.3 percent). The nonfarm self-employed decreased by 562,000 (5.9 percent).

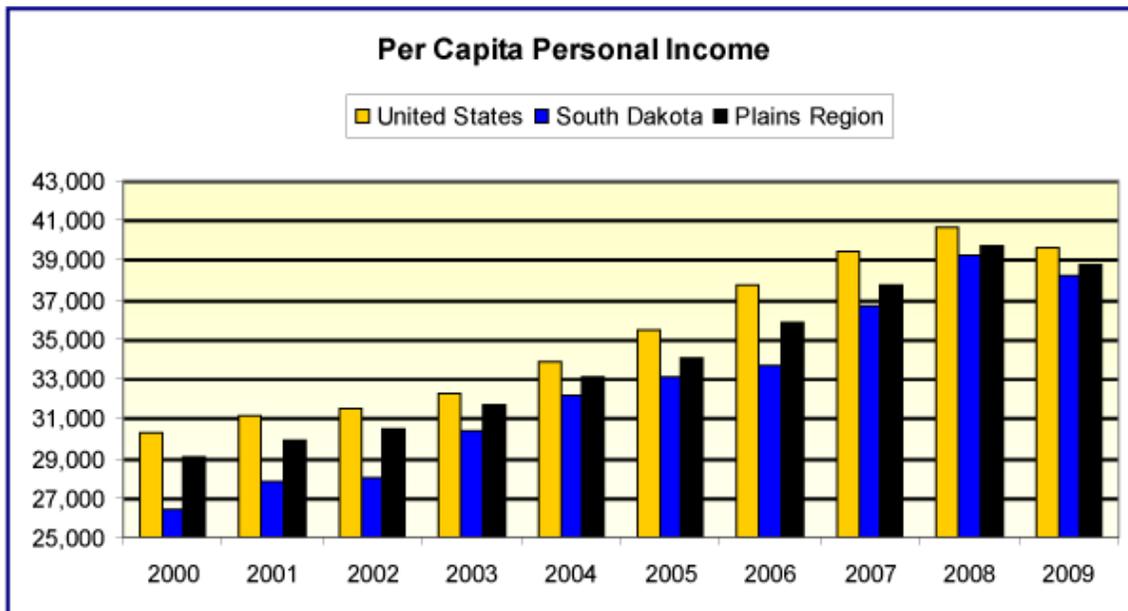


Personal Income Statistics from BEA

The Bureau of Economic Analysis (BEA) also releases personal income data. The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in a specific geographic area. The total payroll of workers covered by unemployment insurance is a component of wage and salary disbursements included in this statistic.

The level of personal income grew steadily for several years prior to the recession. In fact, South Dakota's growth in personal income for the 2000-2009 time period surpassed the rate for both the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota) and the nation. South Dakota's personal income grew by 55.4 percent, compared to a rate of 40.8 percent for the Plains region and 42.2 percent for the nation.

Dividing the personal income of an area by the residents of that given area produces a widely used economic indicator called per capita personal income. Since 2000, South Dakota's per capita personal income has increased by 44.6 percent, compared to 33.4 percent for the Plains Region and 30.7 percent for the nation. With per capita income of \$38,208, South Dakota ranks 25th of the 50 states. This means the average personal income for residents in South Dakota was higher than in 25 other states. In the year 2009, South Dakota ranked 36th.



South Dakota's disposable personal income in 2008 was \$35,662. This income statistic measures total personal income minus personal current taxes, which includes taxes on income and on personal property. Per capita disposable personal income is calculated as the disposable personal income of the residents of a given area divided by the resident population of the area. South Dakota's rank in per capita disposable income has increased from 33rd in 2000 to the current rank of 23rd in 2009. The rank of 23rd indicates the average South Dakota resident had more money available for household spending than the residents in 27 other states. This higher rank is correlates with the fact that South Dakota does not impose a state personal income tax.

Gross Domestic Product

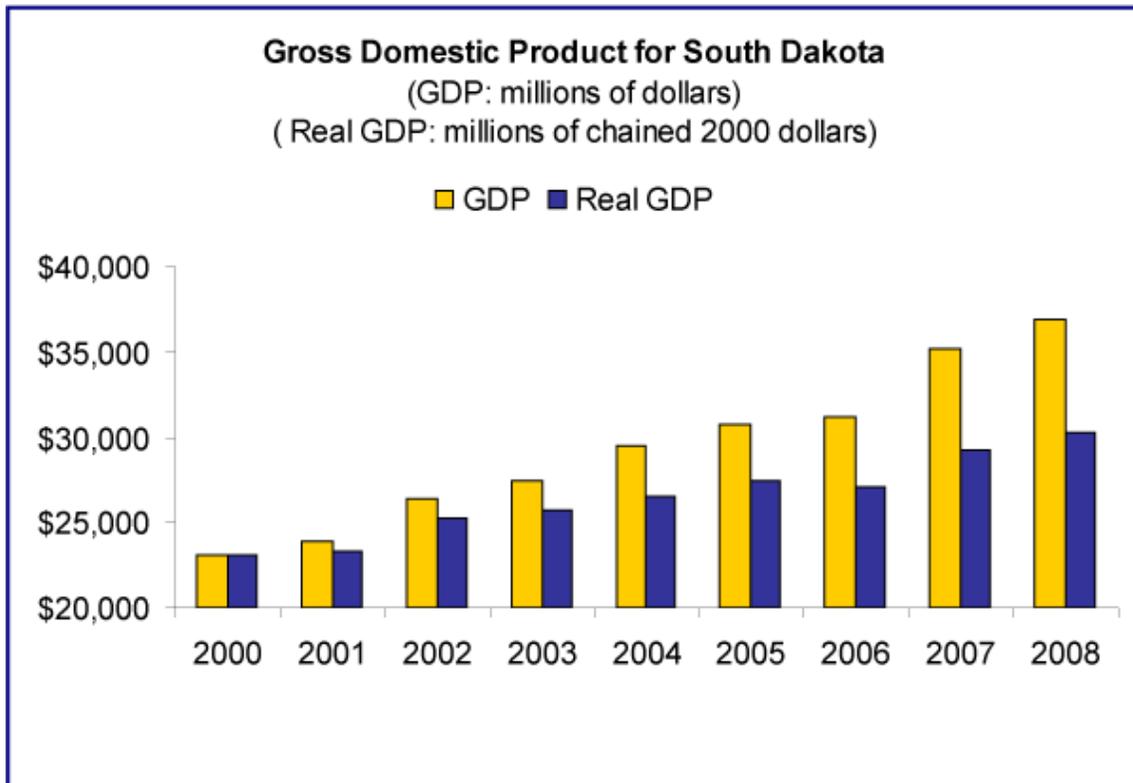
The Bureau of Economic Analysis (BEA) releases estimates of gross domestic product (GDP). GDP by state is the value added in production by the labor and capital located in a state. GDP is derived as the sum of the gross state product originating in all industries in a state. In concept, an industry's GDP by state, referred to as its "value added," is equivalent to its gross output (sales or receipts and other operating income, commodity taxes and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). Thus, GDP by state is the state counterpart of the nation's gross domestic product (GDP), BEA's featured measure of U.S. output.

The graph below compares historical estimates of South Dakota GDP compared to real estimates of Real GDP as measured in chained (2000) dollars. Real GDP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within the state.

Chained dollars is a method of adjusting real dollar amounts for inflation over time, so as to allow comparison of figures from different years. [1] The U.S. Department of Commerce introduced the chained-dollar measure in 1996. Chained dollars generally reflect dollar figures computed with 2000 as the base year. The technique is so named because the second number in a pair of successive years becomes the first in the next pair. The result is a "chain" of weights and averages. [2] The advantage of using the chained-dollar measure is that it is more closely related to any given period covered and is therefore subject to less distortion over time.

[1] Mark McCracken, *Definition of Chained dollars TeachMeFinance.com.*

[2] U.S. Department of Energy, *Chained Dollars, citing EIA, Annual Energy Review 1999.*



Using preliminary data for 2008, the South Dakota GDP has increased 60 percent since 2000, increasing by \$13.9 billion. The 2008 annual increase in South Dakota's GDP was 5.0 percent, ranking 10th of all states in GDP growth. Growth for the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota) was 4.4 percent, and national GDP increased by only 3.3 percent for the 2007-2008 period. This lower rate of growth is reflective of the recession which accelerated during 2008. Recessionary impacts are evident when looking at GDP growth of less than one percent for some states.

Looking at Real GDP for the 2007-2008 period, the national growth rate was 0.7 percent. North Dakota had the highest rate at 7.3 percent, followed by Wyoming at 4.4 percent and South Dakota at 3.5 percent. Twelve states had declining rates, once again indicative of recessionary impacts.

Although South Dakota experienced GDP growth from 2007-2008, several states did not. South Dakota withstood the effects of the recession through the first three quarters of 2008, but employment declines in the last quarter of 2008 offset the overall annual growth.

Since South Dakota exports a high level of goods and services, our state was inevitably impacted by the national recession. As customers from other areas of the nation drastically decreased their demand for goods and services produced by South Dakota, employment needs to produce those goods and services began to drop. More trend information will be available when the preliminary 2009 state estimates of GDP are released on November 18, 2010. This release will also include revised estimates for the years 1963-2008.

Poverty Levels

The U.S. Census Bureau recently released the results of the 2009 American Community Survey (ACS). The 2009 survey data is based on survey responses collected over the course of the 2009 calendar year and provides data about the socioeconomic, housing and demographic characteristics, including poverty status, of individuals and families by state.

Poverty status is determined by comparing annual income to a set of dollar values called thresholds that vary by family size, number of children and age of householder. If a family's before-tax money income is less than the dollar value of their threshold, then that family and every individual in it is considered to be in poverty.

For people not living in families, poverty status is determined by comparing the individual's income to his or her threshold. The poverty thresholds are updated annually to allow for changes in the cost of living using the Consumer Price Index (CPI-U). The thresholds do not vary geographically.

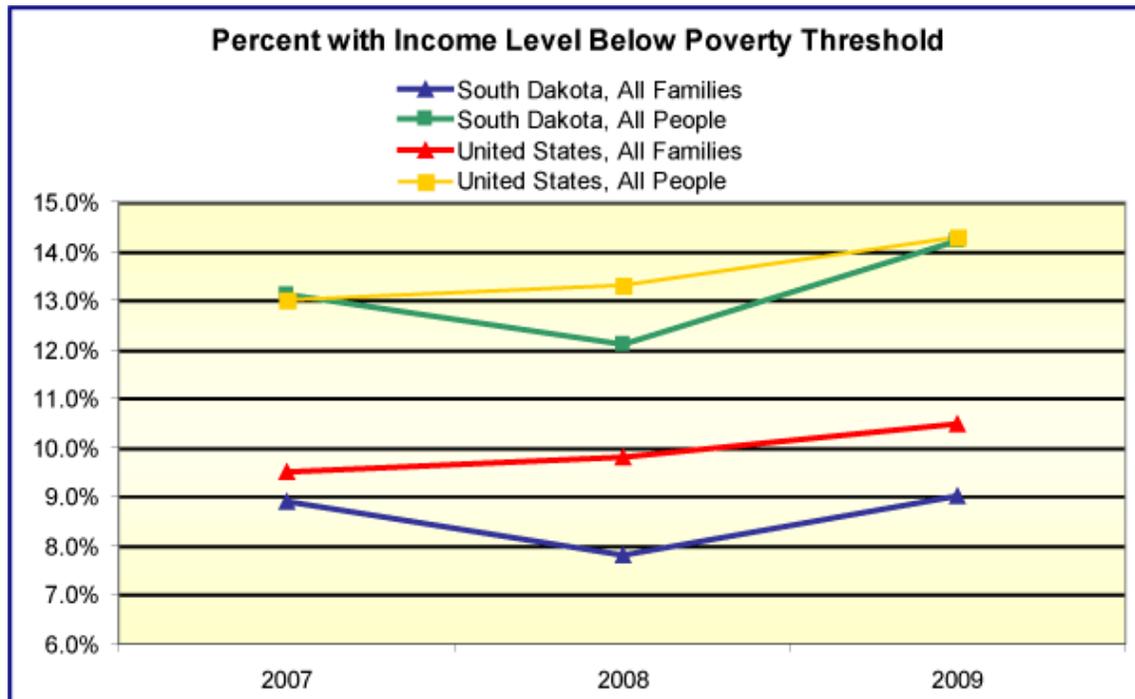
The American Community Survey is a continuous survey, and people respond throughout the year. Since income is reported for the previous 12 months, the appropriate poverty threshold for each family is determined by multiplying the base-year poverty threshold (1982) by the average of monthly CPI values for the 12 months preceding the survey month.

From the national news release regarding poverty:

- In the 2009 ACS, 14.3 percent of the U.S. population had income below their respective poverty thresholds. The number of people in poverty increased to 42.9 million.
- Thirty-one states saw increases in both the number and percentage of people in poverty between the 2008 and the 2009 ACS.
- No state had a statistically significant decline in either the number in poverty or the poverty rate.
- In the 2009 ACS, 18.9 percent of people in the United States had income less than 125 percent of their poverty threshold, compared to 17.6 percent in the 2008 ACS.
- The percent of people with income less than 50 percent of their poverty threshold increased from 5.6 percent in the 2008 ACS to 6.3 in the 2009 ACS.
- Data for South Dakota shows the percent of families and persons in South Dakota whose income level was below the poverty level decreasing from 2007-2008, then rising from 2008-2009.

American Community Survey South Dakota and U.S. Comparative Dakota Poverty Estimates			
Percentage of Families and People Whose Income in the Past 12 Months Is Below the Poverty Level			
Category	2007	2008	2009
South Dakota, All Families	8.9%	7.8%	9.0%
South Dakota, All People	13.1%	12.1%	14.2%
United States, All Families	9.5%	9.8%	10.5%
United States, All People	13.0%	13.3%	14.3%

The national data shows poverty levels steadily increasing from 2007 through 2009, reflective of the national recession which started in December 2007. With the recession impacting South Dakota a bit later, the rise in state poverty rates occurred from 2008-2009. Graphing the levels clearly shows the dip in the percent of families and people in South Dakota below the poverty threshold prior to the recession.



Economic Recovery

As mentioned previously in this report, a recession is basically an extreme economic contraction which begins at the last high point, or peak, of economic activity and ends when at its lowest point, or trough. The National Bureau of Economic Research (NBER) determined the most current national recession started when economic activity peaked in December 2007 and ended in June 2009.

However, in determining that a trough occurred in June 2009, the Business Cycle Dating Committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity. Rather, the committee determined only that the recession ended and a recovery began in that month. The committee decided that any future downturn of the economy would be a new recession and not a continuation of the recession that began in December 2007.

With the end of the recession occurring in June 2009 related to an increase in economic activity based on certain economic indicators, it is hard to predict when the job recovery will take place. A recovery of jobs is an indicator which the general public understands, as so many of them lost jobs during the recession and their personal economy may have yet to reach a trough.

It is possible the current recovery will be cut short by another recessionary period, followed by a second rebound (W-shaped recovery) for several reasons.

There continue to be several unknowns, such as who will be elected, what policies will be implemented by the government and the impact these policies will have. Unknowns include whether governments are going to tax more or less, reduce spending in existing government programs or start new programs, or spend more on the military because of increased risk or reduce military spending. Also unknown are the effects new policies will have on the private businesses that drive the national economy.

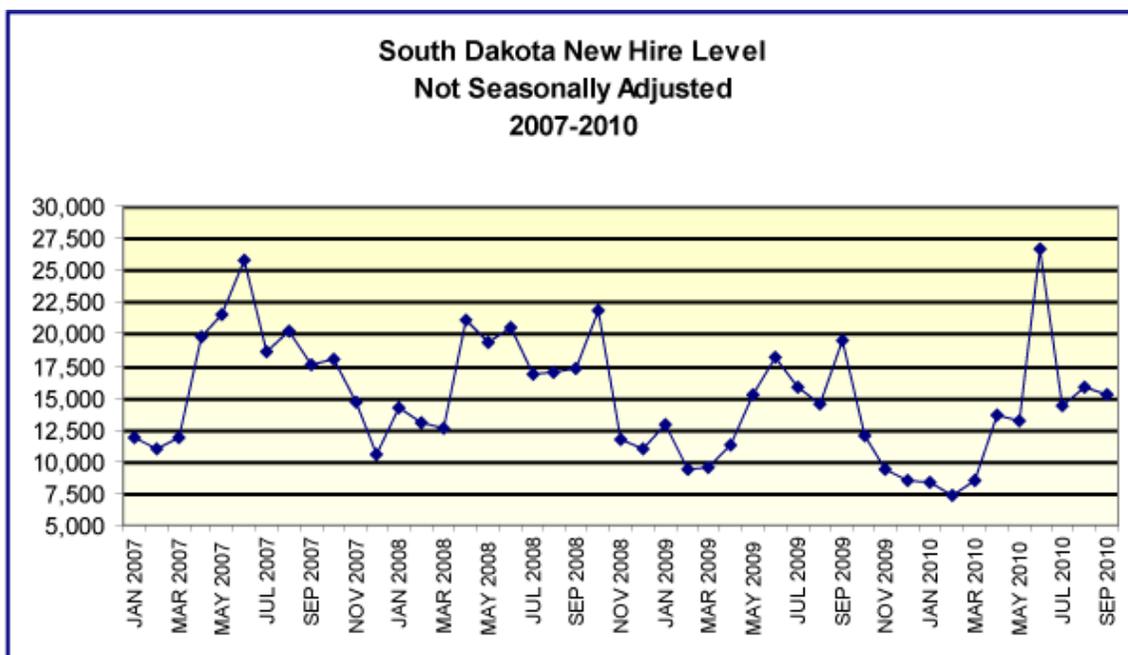
Examination of economic data is a key source in trying to predict how recovery will progress. Making the assumption other factors will hold constant, one can make an educated prediction regarding the type of recovery that will likely take place, and if it will likely happen in a given time frame.

- The national economy is actually showing improvement at the moment, as the not seasonally adjusted August 2010 national nonfarm worker level finally showed some over-the-year job growth (72,000 workers or 0.1 percent), and the national Gross Domestic Product (GDP) has been showing growth since the 3rd quarter of 2009.

- As of September 28, 2010 the Conference Board Consumer Confidence Index level was 48.5, which is below the growth neutral level of 50. The current national recovery is extremely weak, as it is being pressured by a low rate of home purchases, high rate of home foreclosures, minimal employment gains, high unemployment rates and initial unemployment claims that are still quite high.
- The public debt has increased by \$1.651 trillion from September 30, 2009 to September 30, 2010. As of September 30, 2010 the total public debt outstanding is \$13.6 trillion. The estimated population of the United States is 309,231,659, so each citizen's share of this debt is \$43,856. The total share for a family of four is \$175,423.
- Analysis of the public debt as a percent of the GDP reveals the last time this ratio was this high was during World War II. The current predicted annual deficits are expected to be in the trillions for years to come. It is important to remember the deficits from WW II took a long time to pay down, and that was when nations worldwide which suffered from a demolished infrastructure related to the war turned to the United States for goods and services. This situation occurred because our nation was one of the few countries which had the infrastructure and capability to supply these goods and services at that time. Therefore, it was the sales to foreign countries which helped tremendously in paying down the U.S. debt after WW II, but we do not currently have this advantage. The United States has been running export deficits since 1971, according to historical foreign trade statistics which are published by the U.S. Census Bureau. (See <http://www.census.gov/foreign-trade/statistics/historical/gands.pdf>).

While the South Dakota economy is showing very moderate growth, it is doing much better than the nation when comparing employment growth and the unemployment rate. This is in part due to strong agriculture prices stimulating the economy.

Another economic indicator to watch as we monitor economy recovery is the level of new hires. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires employers to report certain information on their newly hired employees. The New Hire reports are mainly used to match against child support records to locate parents and establish or enforce child support orders; however, this information can also serve as an important economic indicator. Although the level of new hires in South Dakota is still low, this economic indicator does not usually pick up until well after a recovery has started.



Also, the level of initial unemployment insurance claims has been steadily declining, which is a key component for continued recovery. The number of job openings posted through the local offices of the South Dakota Department of Labor has also been increasing and is moving back toward pre-recession levels. The gross state sales data published by the South Dakota Department of Revenue data are also showing over-the-year increases, but are still well below 2008 levels. A review of economic indicators shows movement in the right direction and that South Dakota has one of the stronger economies in the nation at this time.

However, if the national economy starts to falter once again, South Dakota's economy will be impacted. Recovery could be dampened, as there continue to be several unknowns -- mainly what policies will be implemented by the government and the impact these policies will have.

Despite these unknowns, we continue to monitor our nation's fragile emergence from the recession and all hope for a steady path toward recovery.