

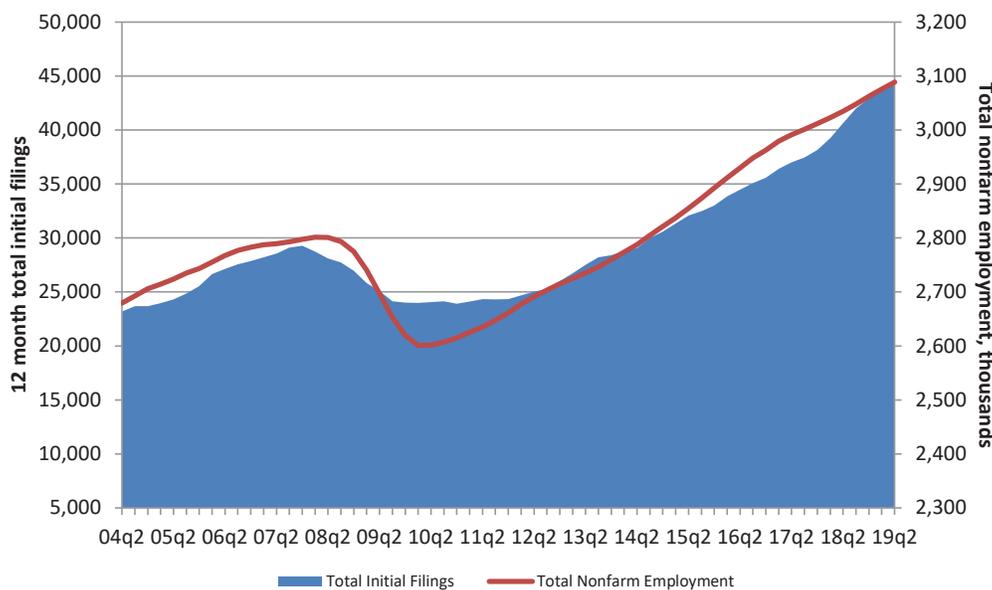
Business Filings Overview

New entity filings and annual reports both saw year-over-year gains in the second quarter of 2019. During this same period, the number of dissolutions, initial trademark registrations, and initial assumed name registrations also grew. Business filings data are highly seasonal, for example, the number of second quarter filings and renewals (i.e. annual reports) is consistently lower than those from the first quarter. For this reason, we largely focus on year-over-year growth rates. Compared to the same quarter last year, new entity filings expanded by 5.9 percent and annual reports grew by 16.7 percent. Over the last twelve months the state has recorded 44,588 new entity filings and 252,980 annual reports.

IN THIS ISSUE

- Business Filings Overview..... 1
- Initial Filings.....2
- Annual Reports and
Dissolutions.....3
- Tennessee Economic
Indicators3
- National Economic
Indicators4

Figure 1: Tennessee Employment and New Entity Filings



Source: Tennessee Business Filing Data and Bureau of Labor Statistics.

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EMPLOYMENT FORECASTS

Q3 2019 vs Q2 2019 ↑

Q3 2019 vs Q3 2018 ↑

Q4 2019 vs Q4 2018 ↑

INDICATORS

Employment (SA)

(June 2019)

vs. prior month ↑

vs. prior year ↑

New Entity Filings

(Q2 2019)

vs. prior quarter ↓

vs. prior year ↑

Annual Report Filings

(Q2 2019)

vs. prior quarter ↓

vs. prior year ↑

Unemployment (SA)

(June 2019)

vs. prior month ↑

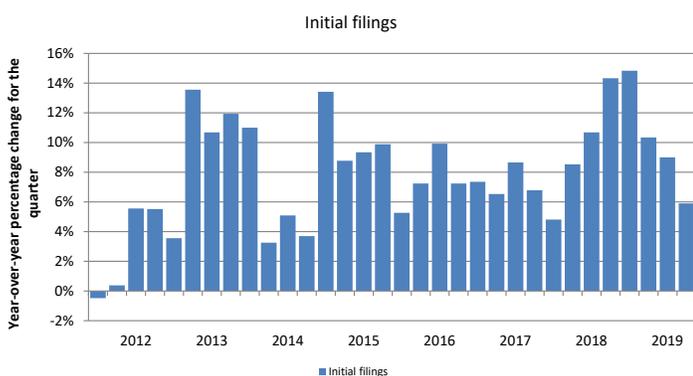
vs. prior year ↓

Growth in new entity filings suggests sustained economic growth in the near term for Tennessee. Changes in new entity filings is generally a good leading indicator for nonfarm employment, personal income, and total tax revenue growth in Tennessee. Second quarter growth in new entity filings suggests continued economic momentum in the state, at least in the short run.

Initial Filings

During the second quarter of 2019 there were 11,530 new entity filings (i.e. initial filings) recorded in Tennessee, representing a 5.9 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth in 31 consecutive quarters (Figure 2). The growth was the lowest since the third quarter of 2017, but continues to signal economic gains for Tennessee. New filings of domestic limited liability corporations (LLCs) saw the strongest growth, increasing by 9.9 percent

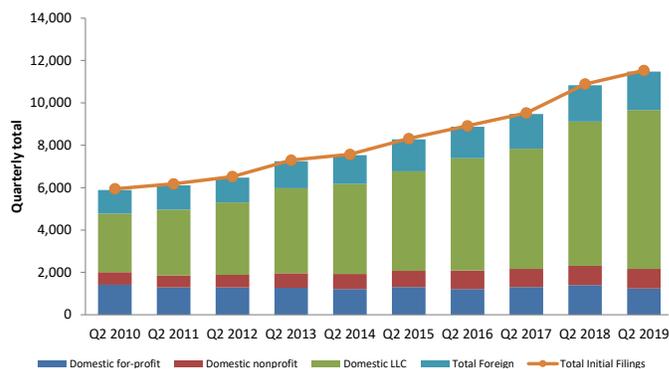
Figure 2: Growth in Quarterly Initial Filings



compared to the second quarter of 2018, followed by filings from foreign entities (up 6.0 percent), and domestic nonprofit corporations (up 2.5 percent). Conversely, domestic for-profit filings fell by a dramatic 11.6 percent, its largest second quarter drop since 2008, which muted overall growth in new entity filings. Domestic firms accounted for 84.3 percent of all second quarter new filings, while foreign entities accounted for the remaining 15.7 percent.

Weaker growth in the largest counties explains a somewhat slower quarter for Tennessee. Among the four largest Tennessee counties there were 6,458 new entity filings recorded during the second quarter of 2019, representing a 2.4 percent increase over the same quarter last year (Table 2). These four counties accounted for 56.0 percent of all new entity filings in the state, but Shelby was the only one to register new filings growth above the state average of 5.9 percent. Davidson County recorded the largest number of new filings, with 2,566, followed by Shelby with 2,272.

Figure 3: Initial Filings



Source for figures: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2019 Q2)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,239	-11.6%	5,370
Domestic Nonprofit Corporations	929	2.5%	3,569
Domestic LLC	7,547	9.9%	28,703
Foreign Entities - Total	1,815	6.0%	6,946
Total Business Entity New Filings	11,530	5.9%	44,588
Business Entity Annual Reports			
Domestic For-Profit Corporations	12,569	7.3%	54,856
Domestic Nonprofit Corporations	9,430	8.7%	41,571
Domestic LLC	28,900	21.4%	105,496
Foreign Entities - Total	7,816	26.8%	20,852
Total Business Entity Annual Reports	58,786	16.7%	252,980
Total Active Entities	299,244	5.7%	-
Other Business Filings			
Dissolutions	2,409	84.0%	30,853
Initial Trademark Registrations	252	11.0%	850
Initial Assumed Name Registrations	1,442	1.3%	5,795

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2019Q2

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,566	2.2%
2	Shelby	2,272	6.4%
3	Knox	838	-5.3%
4	Hamilton	782	1.0%
Total		6,458	2.4%

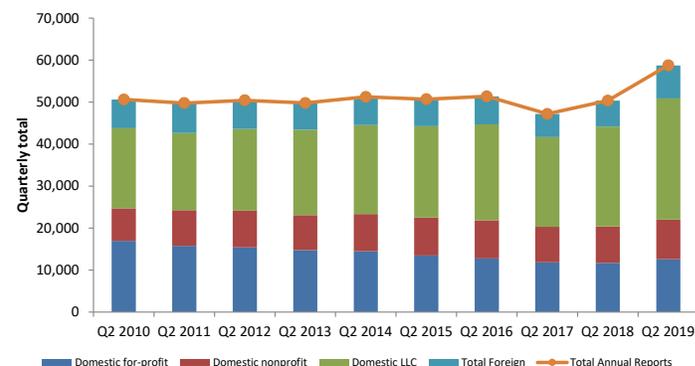
Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

There were 58,786 annual reports filed during the second quarter of 2019, representing a robust 16.7 percent increase over the same quarter last year. This is the largest second quarter growth rate since 2007. Renewals by foreign entities saw the strongest growth, increasing by 26.8 percent, followed by domestic LLCs (up 21.4 percent). Annual reports of domestic nonprofit corporations also grew by 8.7 percent, and renewals of domestic for-profit corporations increased by 7.3 percent. Domestic firms accounted for 86.6 percent of all annual reports, and foreign entities accounted for the remaining 13.4 percent.

There were 2,409 dissolutions filed in the second quarter of 2019, an 84.0 percent increase compared to the second quarter of 2018. While this increase in dissolutions may seem large, it is not indicative of any underlying economic trend as this is based on a very small number of dissolutions for a three-month period. The majority of dissolutions typically occur in the third quarter of each year when entities are administratively dissolved for failing to file their annual report.

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

Tennessee Economic Indicators

The Tennessee economy remains healthy. Nonfarm employment in Tennessee grew by 1.7 percent in June, representing a net increase of 52,100 jobs compared to June of 2018. The manufacturing sector saw job growth of 2.4 percent and added 8,300 jobs compared to last June, while employment in the mining, logging, and construction sector grew 3.2 percent, equivalent to an increase of 4,100 jobs. Tennessee's unemployment rate ticked upward to 3.4 percent compared to the record low rate of 3.2 percent that held steady for much of the first half of 2019. However, the unemployment rate is still 0.2 percentage points below the prevailing state rate from June of last year, and is 0.3 percentage points below its national counterpart. The unemployment rates for both the state and nation remain well below their historic trend levels (see Figure 5)

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)		% Change (year-over-year)		
Personal income (millions of dollars) [2019Q1]	326,216	3.7%		4.0%		
Total tax revenue (millions of dollars) - monthly [2019-June]	1,565	-		8.0%		
Sales tax revenue (millions of dollars) - monthly [2019-June]	820	-		6.4%		
Franchise & excise tax revenue (millions of dollars) - monthly [2019-June]	461	-		10.4%		
Total nonfarm employment (in thousands) - monthly [2019-June]	3,113	0.3%		1.7%		
Manufacturing employment (in thousands) - monthly [2019-June]	359	0.9%		2.4%		
Mining, logging, & construction employment (in thousands) - monthly [2019-June]	133	0.9%		3.2%		
Unemployment rate (%)						
	June 2019		May 2019		June 2018	
	Rate	Change	Rate	Change	Rate	Change
	3.4		3.3	0.1	3.6	-0.2

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, IHS Markit, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Bureau of Labor Statistics.

Note: Month-to-month growth rates are informative if the underlying data are seasonally adjusted, but can be misleading otherwise. For this reason, month-to-month growth rates are excluded for any non-seasonally adjusted data.

In the first quarter of 2019, nominal personal income reached \$326.2 billion representing a 3.7 percent increase compared to the previous quarter. In June 2019, Tennessee tax revenues expanded by a robust 8.0 percent compared to the same month last year, as sales and use tax revenues grew by 6.4 percent and franchise and excise tax revenues were up 10.4 percent. For the fiscal year-to-date, (August 2018 to June 2019), state tax revenues have risen by 5.6 percent.

National Economic Indicators

National economic indicators are somewhat mixed for the second quarter of 2019. Inflation adjusted gross domestic product (real GDP) growth slowed to 2.1 percent in the second quarter of 2019, as business investment waned and the inventory buildup that helped bolster first quarter growth was drawn down. Economic growth could have been weaker had it not been for strong consumer and government spending. Conversely, personal income

advanced by a robust 5.4 percent compared to the first quarter of 2019. Previous estimates of personal income have also been revised upwards, and as a result personal income has now risen by more than 5 percent in two consecutive quarters. Nonfarm employment expanded by 1.5 percent, compared to last June, representing a healthy gain of 224,000 jobs compared to the previous month.

Light vehicle sales continue to trail off, falling to an annual rate of 16.8 million units in the second quarter of 2019, representing a 2.2 percent reduction compared to the second quarter of 2018. Retail gasoline prices have also seen some volatility in recent months. After sitting below \$2.40 per gallon for much of the first quarter of 2019, gasoline prices accelerated to over \$2.90 per gallon in the run-up to summer, and then fell slightly to the \$2.80 per gallon mark in June. However, retail gasoline prices are still 5.6 percent below the prevailing price from June of last year. (Figure 6).

Figure 5: Unemployment Rate

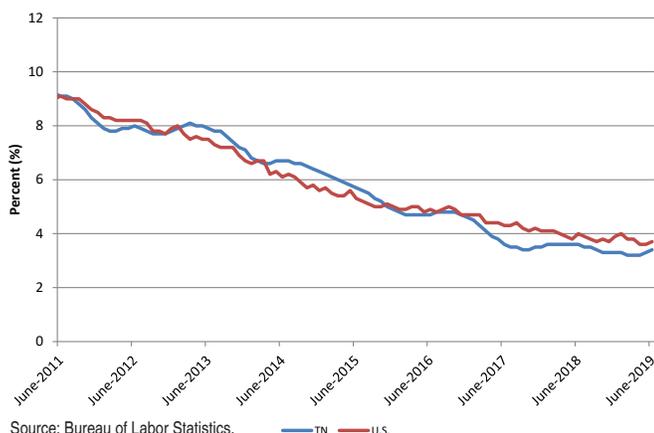


Figure 6: Retail Gasoline Prices – All Grades



TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2019Q2]	18,597	5.4%	4.9%
Real GDP (2012 billions of dollars) [2019Q2]	19,024	2.1%	2.3%
Consumer price index (1982-84 = 1.00) [2019Q2]	2.55	0.7%	1.8%
Light vehicle sales (millions) [2019Q2]	16.83	0.1%	-2.2%
Housing starts (millions) [2019Q2]	1.26	3.7%	-0.2%
Federal funds rate (%) [2019Q2]	2.40	-0.1%	38.2%
30-year fixed mortgage rate (%) [2019Q2]	4.00	-8.7%	-11.9%
S&P 500 stock index [2019Q2]	2,883	5.9%	6.6%
Retail Gasoline Prices (dollars per gallon) - monthly [2019-June]	2.80	-4.8%	-5.6%
Total nonfarm employment (in thousands) - monthly [2019-June]	151,308	0.1%	1.5%

Unemployment rate (%)

June 2019		May 2019		June 2018	
Rate	Change	Rate	Change	Rate	Change
3.7		3.6	0.1	4.0	-0.3

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, IHS Markit, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Bureau of Labor Statistics.