

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

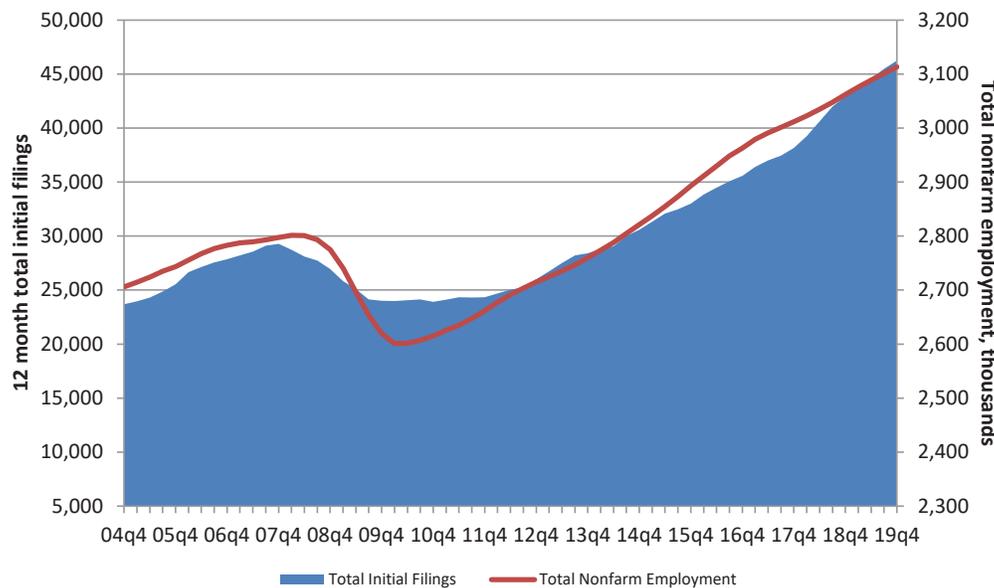
Business Filings Overview

Business filings showed strong year-over-year growth in the fourth 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 fourth quarter new entity filings and renewals (i.e. annual reports) is consistently lower than those from the third quarter. For this reason, we largely focus on year-over-year growth rates. Compared to the same quarter last year, new entity filings rose by 7.8 percent and annual reports expanded by 14.3 percent. Over the last twelve months the state has recorded 46,231 new entity filings and 250,574 annual reports.

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Figure 1: Tennessee Employment and New Entity Filings



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

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EMPLOYMENT FORECASTS

Q1 2020 vs Q4 2019 ↑

Q1 2020 vs Q1 2019 ↑

Q2 2020 vs Q2 2019 ↑

INDICATORS

Employment (SA)

(January 2020)

vs. prior month ↑

vs. prior year ↑

New Entity Filings

(Q4 2019)

vs. prior quarter ↓

vs. prior year ↑

Annual Report Filings

(Q4 2019)

vs. prior quarter ↓

vs. prior year ↑

Unemployment (SA)

(January 2020)

vs. prior month ↑

vs. prior year ↓

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

Initial Filings

Statewide, there were 10,604 new entity filings (i.e. initial filings) recorded in the fourth quarter of 2019, representing a 7.8 percent increase over the same quarter last year.

Initial filings have now seen positive year-over-year growth in 33 consecutive quarters (Figure 2). New filings from domestic nonprofit corporations saw the strongest year-over-year gains, increasing by 13.3 percent, followed by domestic limited liability

corporations (LLCs, up 9.3 percent), and foreign entities (up 8.8 percent). Conversely, initial filings from domestic for-profit corporations shrunk by 3.8 percent. In the fourth quarter, domestic firms accounted for 83.5 percent of all new filings while foreign entities accounted for the remaining 16.5 percent.

Among the four largest Tennessee counties there were 5,741 new entities registered during the fourth quarter of 2019, representing a 5.8 percent increase over the same quarter last year (Table 2). New filing growth in Davidson County was only 1.1 percent as compared to the fourth quarter of 2018, while new filing growth in each of the other three counties (Hamilton, Knox, and Shelby) outpaced that of the state as a whole. Together, these four counties accounted for 54.1 percent of all new entity filings in the state. Davidson County recorded the largest number of new filings, with 2,231, followed by Shelby County with 1,989.

Figure 2: Growth in Quarterly Initial Filings

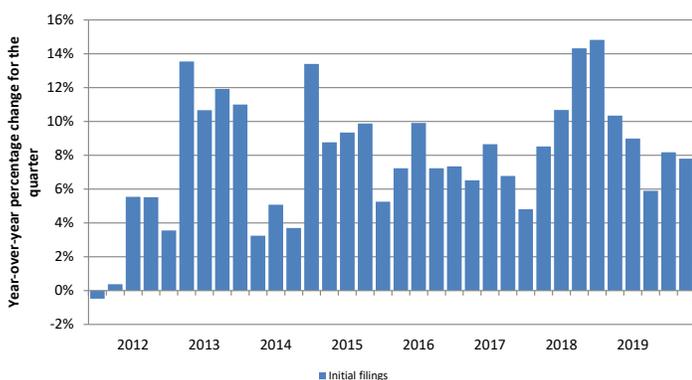
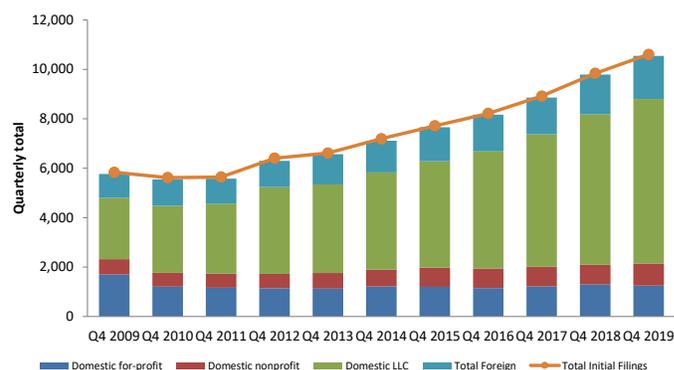


Figure 3: Initial Filings



Source for figures: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2019 Q4)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,251	-3.8%	5,278
Domestic Nonprofit Corporations	896	13.3%	3,719
Domestic LLC	6,709	9.3%	30,030
Foreign Entities - Total	1,748	8.8%	7,204
Total Business Entity New Filings	10,604	7.8%	46,231
Business Entity Annual Reports			
Domestic For-Profit Corporations	3,960	-6.4%	53,219
Domestic Nonprofit Corporations	5,259	30.8%	40,839
Domestic LLC	2,997	10.6%	105,235
Foreign Entities - Total	3,203	26.6%	51,043
Total Business Entity Annual Reports	15,419	14.3%	250,574
Total Active Entities	293,870	5.7%	-
Other Business Filings			
Dissolutions	1,763	11.1%	37,526
Initial Trademark Registrations	204	15.9%	900
Initial Assumed Name Registrations	1,479	15.5%	6,209

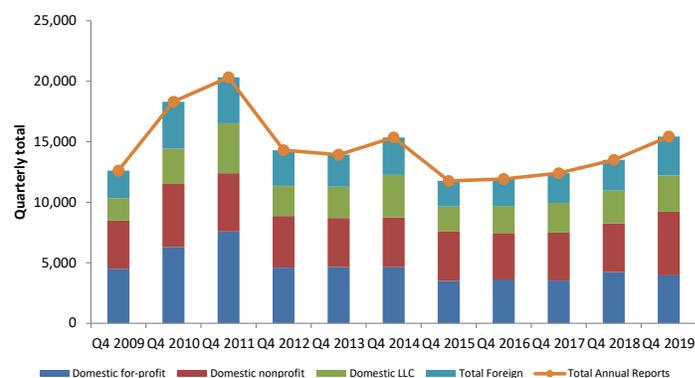
Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2019Q4

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,231	1.1%
2	Shelby	1,989	9.8%
3	Knox	828	8.0%
4	Hamilton	693	7.9%
Total		5,741	5.8%

Source: Tennessee Business Filing Data.

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

There were 15,419 annual reports filed in the fourth quarter of 2019, representing a 14.3 percent increase over the same quarter last year. Annual reports from domestic nonprofit corporations saw the strongest growth, increasing by 30.8 percent, followed by foreign entities (up 26.6 percent), and domestic LLCs (up 10.6 percent). Annual reports among domestic for-profit corporations fell by 6.4 percent. Domestic firms accounted for 79.2 percent of all annual reports, and foreign entities for the remaining 20.8 percent.

There were 1,763 dissolutions filed in the fourth quarter of 2019, representing an 11.1 percent increase compared to the fourth quarter of 2018. The majority of dissolutions occur in the third quarter as entities are administratively dissolved in August for failing to file their annual report. Thus, this quarterly increase is based on a very small number of dissolutions.

Tennessee Economic Indicators

Tennessee economy continues to see modest economic growth given that the state economy is hovering around full employment. Nonfarm employment in Tennessee expanded by 1.6 percent in December, representing an increase of 49,200 jobs compared to December of 2018. Job growth in the manufacturing sector was pegged at 1.7 and added 6,000 jobs compared to last December, while employment in the mining, logging, and construction sector fell by 2.1 percent, equivalent to a loss of 2,800. Tennessee’s unemployment rate remains at a record low 3.3 percent for December 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) [2019Q3]	331,831	4.6%	3.6%
Total tax revenue (millions of dollars) - monthly [2019-December]	1,397	-	4.9%
Sales tax revenue (millions of dollars) - monthly [2019-December]	801	-	4.1%
Franchise & excise tax revenue (millions of dollars) - monthly [2019-December]	365	-	9.2%
Total nonfarm employment (in thousands) - monthly [2019-December]	3,137	0.1%	1.6%
Manufacturing employment (in thousands) - monthly [2019-December]	359	0.6%	1.7%
Mining, logging, & construction employment (in thousands) - monthly [2019-December]	129	0.0%	-2.1%

Unemployment rate (%)	December 2019		November 2019		December 2018	
	Rate	Change	Rate	Change	Rate	Change
	3.3	0.0	3.3	0.0	3.3	0.0

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, IHS, 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 third quarter of 2019, nominal personal income reached \$331.8 billion, representing a 4.6 percent annualized increase over the previous quarter. In December 2019, Tennessee tax revenues advanced by 4.9 percent compared to the same month last year, as sales and use tax revenues grew by 4.1 percent and franchise and excise tax revenues grew by a robust 9.2 percent. For the fiscal year-to-date, August 2019 to December 2019, state tax revenues have risen by 7.7 percent.

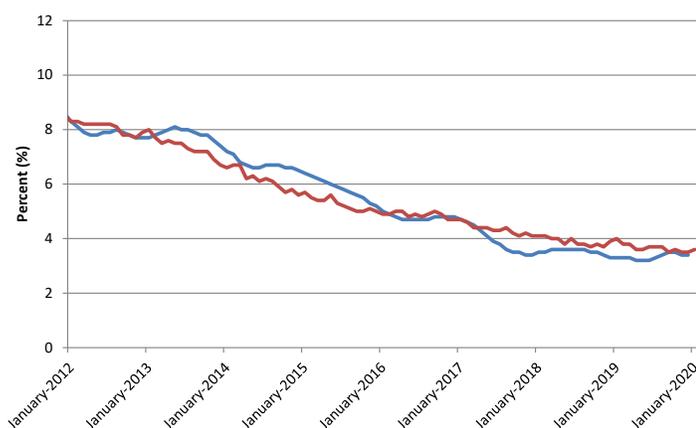
National Economic Indicators

National economic growth continues to moderate. Inflation adjusted gross domestic product (real GDP) advanced by 2.1 percent in the fourth quarter of 2019, as business investment fell for the third consecutive quarter and consumption spending rose by a more gradual pace than in previous quarters. For the year as a

whole, real GDP grew by 2.3 percent. Personal income increased by 3.2 percent compared to the third quarter of 2019, its slowest rate of growth since the second quarter of 2016. Nonfarm employment expanded by 1.4 percent, compared to last January, representing a surprisingly robust gain of 225,000 jobs compared to the previous month.

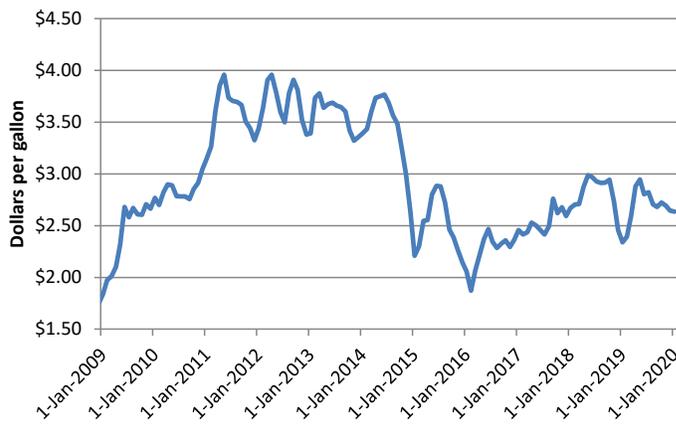
Nationwide light vehicle sales look to have peaked and have leveled off to an annual rate of 17 million units in the fourth quarter of 2019. This represents a 0.2 percent decline compared to the previous quarter and a 2.5 percent drop off compared to the same quarter last year. Retail gasoline prices seem to have stabilized for the moment and are pegged at \$2.64 per gallon as of January. This represents a 12.7 percent increase compared to the temporarily depressed prices from last January (Figure 6).

Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2019Q4]	18,867	3.2%	4.3%
Real GDP (2012 billions of dollars) [2019Q4]	19,220	2.1%	2.3%
Consumer price index (1982-84 = 1.00) [2019Q4]	2.58	0.7%	2.1%
Light vehicle sales (millions) [2019Q4]	16.97	-0.2%	-2.5%
Housing starts (millions) [2019Q4]	1.34	4.8%	13.4%
Federal funds rate (%) [2019Q4]	1.66	-24.0%	-25.2%
30-year fixed mortgage rate (%) [2019Q4]	3.70	1.0%	-22.6%
S&P 500 stock index [2019Q4]	3,075	3.9%	14.2%
Retail Gasoline Prices (dollars per gallon) - monthly [2020-January]	2.64	-0.3%	12.7%
Total nonfarm employment (in thousands) - monthly [2020-January]	152,186	0.1%	1.4%

Unemployment rate (%)

January 2020		December 2019		January 2019	
Rate		Rate	Change	Rate	Change
3.6		3.5	0.1	4.0	-0.4

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