

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

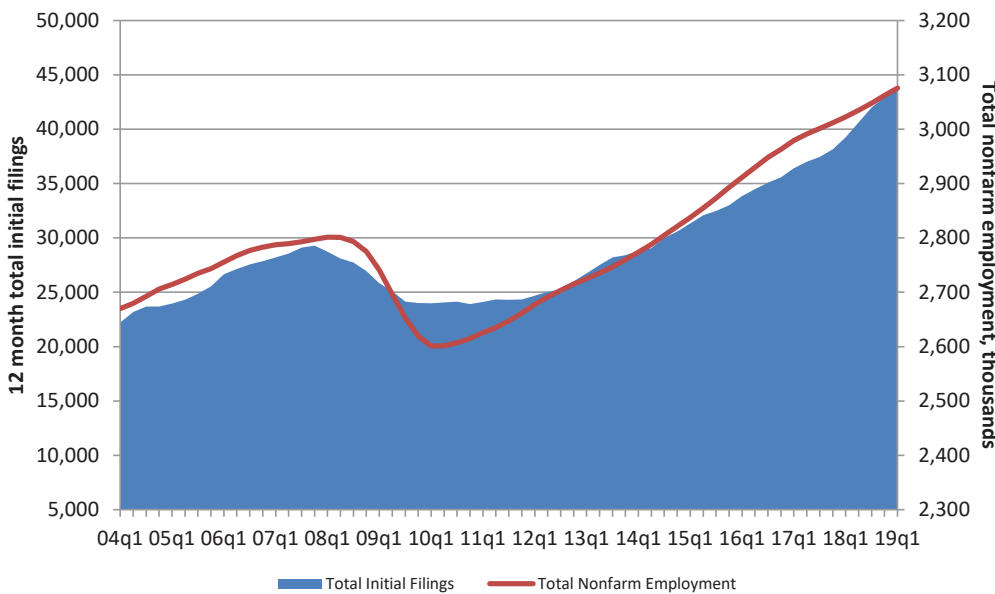
Business Filings Overview

Both new entity filings and annual reports grew during the first quarter of 2019 as compared to the same quarter last year. During this same period, the number of dissolutions, initial trademark registrations, and initial assumed name registrations also grew. Filings data are highly seasonal, for example, first quarter filings and renewals generally outpace those from the fourth quarter of the previous year. For this reason, we largely focus on year-over-year growth rates. Compared to the previous year, new entity filings rose by 9.0 percent. Over the last twelve months, the state has tallied 43,946 new entity filings and 244,548 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

Q2 2019 vs Q1 2019 ↑

Q2 2019 vs Q2 2018 ↑

Q3 2019 vs Q3 2018 ↑

INDICATORS

Employment (SA) (December 2018)

vs. prior month ↓
vs. prior year ↑

New Entity Filings (Q4 2018)

vs. prior quarter ↑
vs. prior year ↑

Annual Report Filings (Q4 2018)

vs. prior quarter ↑
vs. prior year ↑

Unemployment (SA) (December 2018)

vs. prior month ↔
vs. prior year ↓

Growth in new entity filings points to a continuation of near-term economic growth in Tennessee. The number of new entity filings is a good leading indicator of nonfarm employment, personal income, and total tax revenues in Tennessee. First quarter growth in new entity filings suggests sustained economic growth, at least in the short run.

Initial Filings

There were 12,512 new entity filings (i.e. initial filings) recorded in the first quarter of 2019, representing a 9.0 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth in 30 consecutive quarters (Figure 2). Furthermore, the first quarter of each year has seen year-over-year growth in new entity filings in excess of 8.5 percent in every year since 2015. New filings of domestic limited

liability corporations (LLCs) saw the largest growth, expanding by 12.2 percent compared to the first quarter of 2018, followed by filings from foreign entities (up 5.5 percent), and domestic for-profit corporations (up 3.8 percent). Conversely, new filings from domestic nonprofit corporations fell by 1.9 percent compared to the same quarter last year. Domestic firms accounted for 85.2 percent of all first quarter new entity filings, while foreign entities accounted for the remaining 14.8 percent.

Among the four largest Tennessee counties there were 7,217 new entity filings recorded during the first quarter of 2019, representing a 9.1 percent increase over the same quarter last year (Table 2). These four counties accounted for 57.7 percent of all new entity filings in the state. Davidson County recorded the largest number of new filings, with 2,925, followed by Shelby with 2,434.

Figure 2: Growth in Quarterly Initial Filings

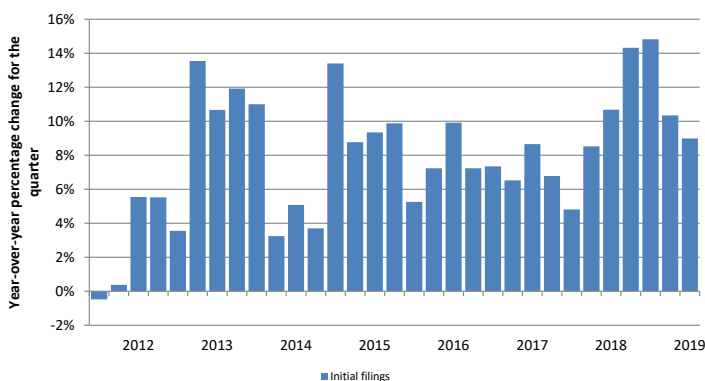
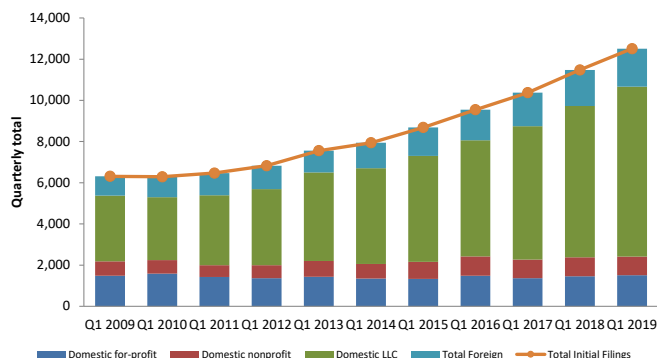


Figure 3: Initial Filings



Source for figures: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2019 Q1)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,512	3.8%	5,532
Domestic Nonprofit Corporations	908	-1.9%	3,546
Domestic LLC	8,243	12.2%	28,024
Foreign Entities - Total	1,849	5.5%	6,844
Total Business Entity New Filings	12,512	9.0%	43,946
Business Entity Annual Reports			
Domestic For-Profit Corporations	32,649	-1.6%	53,999
Domestic Nonprofit Corporations	21,218	4.1%	40,817
Domestic LLC	65,966	7.8%	100,398
Foreign Entities - Total	37,066	4.0%	49,200
Total Business Entity Annual Reports	157,033	4.4%	244,548
Total Active Entities	289,328	5.8%	-
Other Business Filings			
Dissolutions	2,751	110.2%	29,753
Initial Trademark Registrations	232	7.4%	825
Initial Assumed Name Registrations	1,641	9.8%	5,777

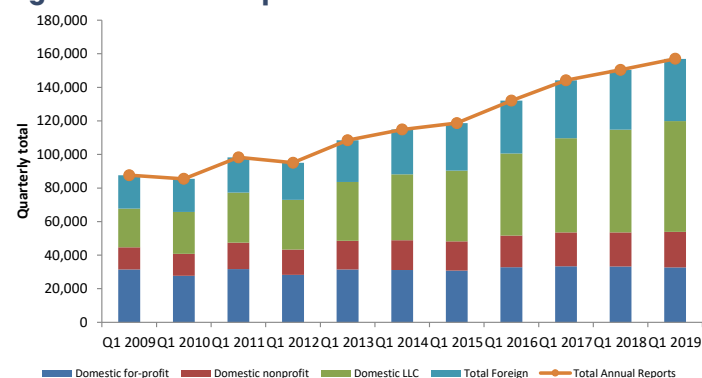
Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2019Q1

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,925	7.5%
2	Shelby	2,434	15.1%
3	Knox	1,008	4.1%
4	Hamilton	850	4.6%
Total		7,217	9.1%

Source: Tennessee Business Filing Data.

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

Tennessee recorded 157,033 annual reports during the first quarter of 2019, representing a 4.4 percent increase over the same quarter last year. Renewals by domestic LLCs saw the strongest growth, increasing by 7.8 percent, followed by domestic nonprofit corporations (up 4.1 percent), and foreign entities (up 4.0 percent). Annual reports by domestic for-profit corporations fell by 1.6 percent compared to the first quarter of 2018. Domestic firms accounted for 76.3 percent of all annual reports, and foreign entities accounted for the remaining 23.6 percent.

There were 2,751 dissolutions filed in the first quarter of 2019, more than doubling the dissolution count from the first quarter of 2018. However, this is not indicative of any underlying economic trends as this is still 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.

Tennessee Economic Indicators

Tennessee continues to see healthy economic growth. In March, nonfarm employment expanded by 1.6 percent or 47,800 jobs compared to the same month last year. Employment in the manufacturing sector grew by 2.2 percent or 7,500 jobs, and the mining, logging, and construction sector saw job growth of 2.9 percent, equivalent to a net addition of 3,700 jobs. The state unemployment rate held steady at an all-time low of 3.2 percent for the last two months, and is 0.4 percentage points lower than the prevailing state rate from March 2018. Tennessee’s unemployment rate is well below its national counterpart of 3.8 percent, but unemployment rates at both the state and national level remain well below their historic trends (see Figure 5).

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2018Q4]	325,189	4.2%	5.0%
Total tax revenue (millions of dollars) - monthly [2019-March]	1,131	-	4.9%
Sales tax revenue (millions of dollars) - monthly [2019-March]	697	-	5.7%
Franchise & excise tax revenue (millions of dollars) - monthly [2019-March]	208	-	6.4%
Total nonfarm employment (in thousands) - monthly [2019-March]	3,094	-0.1%	1.6%
Manufacturing employment (in thousands) - monthly [2019-March]	356	-0.3%	2.2%
Mining, logging, & construction employment (in thousands) - monthly [2019-March]	131	1.2%	2.9%

Unemployment rate (%)	March 2019		February 2019		March 2018	
	Rate	Change	Rate	Change	Rate	Change
	3.2		3.2	0.0	3.6	-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 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 fourth quarter of 2018, nominal personal income rose to \$325.2 billion representing a 4.2 percent increase compared to the previous quarter. In March 2019, Tennessee tax revenues grew by 4.9 percent compared to the same month last year. Sales tax revenues were up 5.7 percent, and franchise and excise tax collections grew by 6.4 percent. For the fiscal year-to-date, (August 2018 to March 2019), state tax revenues have advanced by 4.1 percent.

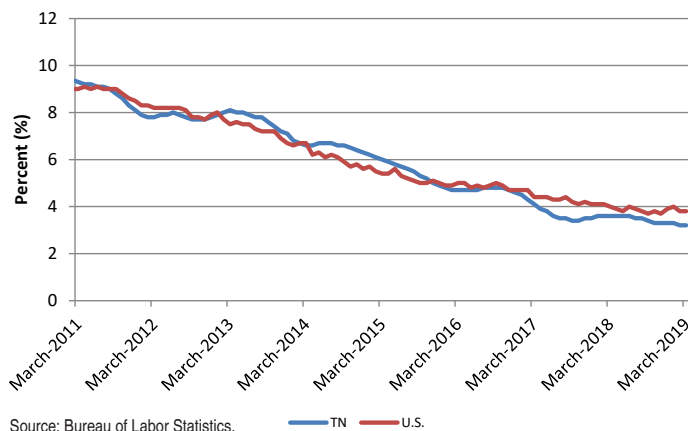
National Economic Indicators

Economic data for the nation are mostly positive for the first quarter of 2019. Inflation adjusted gross domestic product (real GDP) advanced by 3.2 percent compared to the previous quarter, which was the strongest first quarter growth rate since 2015. National GDP gains were driven by strong growth in net exports (exports minus imports) as

well as a buildup of business inventory, while consumer spending, the largest component of GDP, saw slower growth than in recent quarters. Personal income grew by 3.3 percent compared to the fourth quarter of 2018. Nonfarm employment increased by 1.7 percent compared to last March, representing a gain of 196,000 new jobs compared to the previous month.

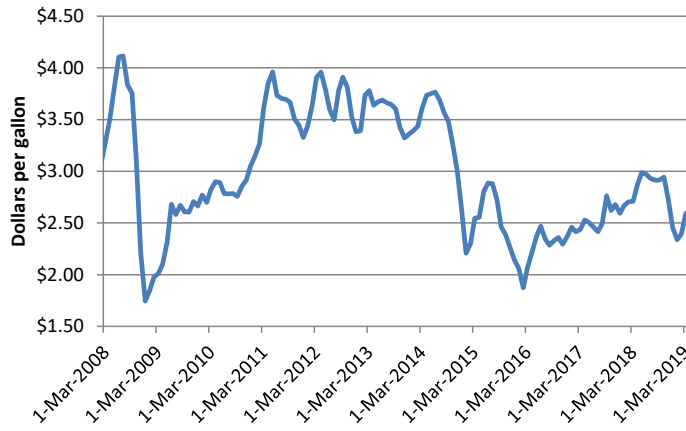
Reflecting a modest slowdown in consumer spending, light vehicle sales fell to an annual rate of 16.9 million units in the first quarter of 2019, representing a 3.4 percent drop compared to the previous quarter and a 1.1 percent decrease compared to the same quarter last year. Housing starts were 2.4 percent above the previous quarter but have fallen by 7.9 percent relative to the first quarter of 2018. Retail gasoline prices were pegged at \$2.59 per gallon in March, an 8.4 percent increase over the previous month, but 4.2 percent below the prevailing price from the same month last year (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) [2019Q1]	18,034	3.3%	4.1%
Real GDP (2012 billions of dollars) [2019Q1]	18,912	3.2%	3.2%
Consumer price index (1982-84 = 1.00) [2019Q1]	2.53	0.2%	1.6%
Light vehicle sales (millions) [2019Q1]	16.90	-3.4%	-1.1%
Housing starts (millions) [2019Q1]	1.21	2.4%	-7.9%
Federal funds rate (%) [2019Q1]	2.40	8.1%	65.9%
30-year fixed mortgage rate (%) [2019Q1]	4.37	-8.5%	2.4%
S&P 500 stock index [2019Q1]	2,722	1.1%	-0.4%
Retail Gasoline Prices (dollars per gallon) - monthly [2019-March]	2.59	8.4%	-4.2%
Total nonfarm employment (in thousands) - monthly [2019-March]	150,816	0.1%	1.7%

Unemployment rate (%)

March 2019		February 2019		March 2018	
Rate	Change	Rate	Change	Rate	Change
3.8		3.8	0.0	4.0	-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.