Business Filings Overview

New entity filings and annual reports both saw robust year-over-year growth during the first quarter of 2017. During the same period, dissolutions, initial trademark registrations and initial assumed name registrations all increased as well. Over the last 12 months, Tennessee has registered 36,404 new entity filings and 227,709 annual reports. As of April 1, 2017, there were 259,282 active entities in the state, representing a 5.2 percent increase over the same quarter last year and 3.8 percent increase compared to the previous quarter’s count.

Growth in new business filings suggests continued economic growth for the state. The number of new entity filings is a good leading indicator of nonfarm employment, personal income, and total tax revenues in Tennessee. New entity filings have increased by 8.7 percent compared to the first quarter of 2016, suggesting continued economic growth in the near term.

Figure 1: Tennessee Employment and New Entity Filings

Initial Filings

Tennessee recorded 10,372 new entity filings (i.e. initial filings) during the first quarter of 2017, which was 8.7 percent higher than the new filings count from the same quarter last year. Initial filings have now shown positive year-over-year growth for 22 consecutive quarters (see Figure 2). New entity filings of domestic limited liability corporations (LLCs) and foreign entities both grew over last year, while new filings from domestic for-profit corporations and domestic nonprofits shrank (see Table 1). New filings from domestic LLCs, which accounted for 62.4 percent of all new entity filings, saw the strongest growth, increasing by 14.9 percent compared to the first quarter of 2016. Domestic firms accounted for 84.4 percent of all new entity filings, while foreign entities accounted for the remaining 15.6 percent. Compared to the previous quarter, new entity filings were up a robust 26.3 percent, but this was largely due to seasonal variation. Since 1994, first quarter filings have consistently been larger than fourth quarter filings of the preceding year.

Among the four largest counties there were 6,025 new entity filings during the first quarter of 2017, representing a 13 percent increase compared to the same quarter last year (see Table 2). New entity filings in the four largest counties accounted for 58.1 percent of all new filings in the state. Among the four counties, Davidson County had the largest number of new entity filings with 2,395, followed closely by Shelby County with 1,949. Hamilton County had the fewest new entity filings among the four counties, but saw the strongest year-over-year growth in new filings, increasing by a robust 32.3 percent compared to the first quarter of 2016.

Annual Reports and Dissolutions

Annual reports and dissolutions both grew in the first quarter of 2017 as compared to the same quarter last year. There were 144,209 annual reports filed in the first quarter, representing a strong...
9.2 percent increase over the first quarter of 2016. Domestic firms accounted for 76 percent of all annual reports, and 24 percent came from foreign entities. Annual reports for domestic LLC’s saw the strongest year-over-year gains, increasing by 14.8 percent, followed by foreign entities which grew by 9.9 percent. There were 2,401 dissolutions filed in the first quarter of 2017, representing a slight 0.9 percent uptick compared to the same quarter last year.

**Tennessee Economic Indicators**

**Tennessee continues to see steady economic growth.** In March 2017, nonfarm employment grew by 2.2 percent or 63,500 jobs as compared to the same month last year. Manufacturing employment increased by 1.6 percent of 5,600 jobs, and mining, logging, and construction employment expanded by 6.5 percent of 7,700 jobs compared to March of last year. The number of unemployed Tennesseans fell by 3 percent compared to the previous month while the number of employed people saw a slight uptick of 0.4 percent. As a result Tennessee’s unemployment rate inched downwards from 5.3 percent in February to 5.1 percent in March. Despite this drop, Tennessee’s unemployment rate is still 0.5 percentage points higher than its March 2016 rate of 4.6 percent, and 0.6 percentage points higher than the current national unemployment rate of 4.5 percent (see Figure 5).

In March 2017, Tennessee tax revenues were down 9.2 percent compared to March of last year. However, March was the first month that the Department of Revenue implemented its new tax administration system (for selected taxes), TR 3, and some taxpayers may have had difficulties filing their February returns (corresponding to March collections) in the new system by the March deadlines. This may have reduced collections or made it more difficult to assign undistributed collections as quickly as the norm. For the fiscal year-to-date (August 2016 to March 2017), Tennessee tax revenues are still up a solid 4 percent, largely due to a 13 percent increase in franchise and excise tax revenues and 2.8 percent growth in sales tax revenues. Nominal personal income also grew to $292.8 billion in the fourth quarter of 2016, representing a 2.7 percent increase.
compared to the previous quarter and a 3.2 percent increase over
the same quarter last year.

National Economic Indicators

Data from the first quarter of 2017 send mixed signals on the
national economy. Inflation adjusted gross domestic product
(real GDP) advanced at an annual rate of only 0.7 percent in the
first quarter, its slowest growth rate in three years (U.S. GDP fell by
1.2 percent in the first quarter of 2014). This was, in part, driven
by weakened consumer spending which only grew by 0.3 percent
compared to the previous quarter, and auto sales which fell by 0.9
percent compared to the same quarter last year. Though, housing
starts still expanded by a robust 8.6 percent compared to the first
quarter of 2016, and U.S. personal income grew at an annual rate
of 4 percent compared to the previous quarter, which was well
above the 2.7 percent annual growth rate seen in Tennessee and is
inconsistent with an economic slowdown. Since 2010, the national
economy has generally seen its weakest growth in the first quarter,
as measured by real GDP, and has then bounced back in subsequent
quarters. Over the last seven years, GDP growth has only averaged
1.1 percent in the first quarter, but 2.5 percent in all other quarters.
This suggests that there may be some residual seasonality that is
unaccounted for in the GDP data calculations. Thus, the reported
first quarter data might understate actual economic activity.

Nonfarm employment grew by 1.6 percent compared to last April,
which was well under Tennessee’s increase. However, jobs grew by a
robust 211,000 compared to the prior month, which helps make up
for the previous month’s poor performance (jobs grew by a lackluster
79,000 in March). Retail gasoline prices, currently at $2.53/gallon,
have remained relatively steady, sitting above $2.40/gallon for
four consecutive months and above $2.20/gallon for 13 consecutive
months (see Figure 6). However, current retail gas prices are still
14.1 percent higher than the prevailing price from April 2016.

Figure 5: Unemployment Rate

![Unemployment Rate Graph]


Figure 6: Retail Gasoline Prices – All Grades

![Retail Gasoline Prices Chart]

Source: U.S. Energy Information Administration.

TABLE 4: NATIONAL DATA

<table>
<thead>
<tr>
<th>Metric</th>
<th>Current Period</th>
<th>% Change (over last period)</th>
<th>% Change (year-over-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income (billions of dollars) [2016Q4]</td>
<td>16,428</td>
<td>4.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Real GDP (2009 billions of dollars) [2017Q1]</td>
<td>16,842</td>
<td>0.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Consumer price index (1982-84 = 1.00) [2017Q1]</td>
<td>2.44</td>
<td>0.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Light vehicle sales (millions) [2017Q1]</td>
<td>17.16</td>
<td>-4.6%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Housing starts (millions) [2017Q1]</td>
<td>1.25</td>
<td>0.2%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Federal funds rate (%) [2017Q1]</td>
<td>0.70</td>
<td>55.6%</td>
<td>94.4%</td>
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<tr>
<td>30-year fixed mortgage rate (%) [2017Q1]</td>
<td>4.17</td>
<td>9.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>S&amp;P 500 stock index (2017Q1)</td>
<td>2,324</td>
<td>6.4%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Retail Gasoline Prices (dollars per gallon) - monthly [2017-April]</td>
<td>2.53</td>
<td>3.7%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Total nonfarm employment (in thousands) - monthly [2017-April]</td>
<td>146,063</td>
<td>0.1%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Unemployment rate (%)

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
<th>Change</th>
<th>Rate</th>
<th>Change</th>
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<tr>
<td>April 17</td>
<td>4.4</td>
<td></td>
<td>April 16</td>
<td>5.0</td>
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<tr>
<td>March 17</td>
<td>4.5</td>
<td>-0.1</td>
<td></td>
<td></td>
</tr>
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</table>

*Periods are quarters unless otherwise noted.

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic