

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

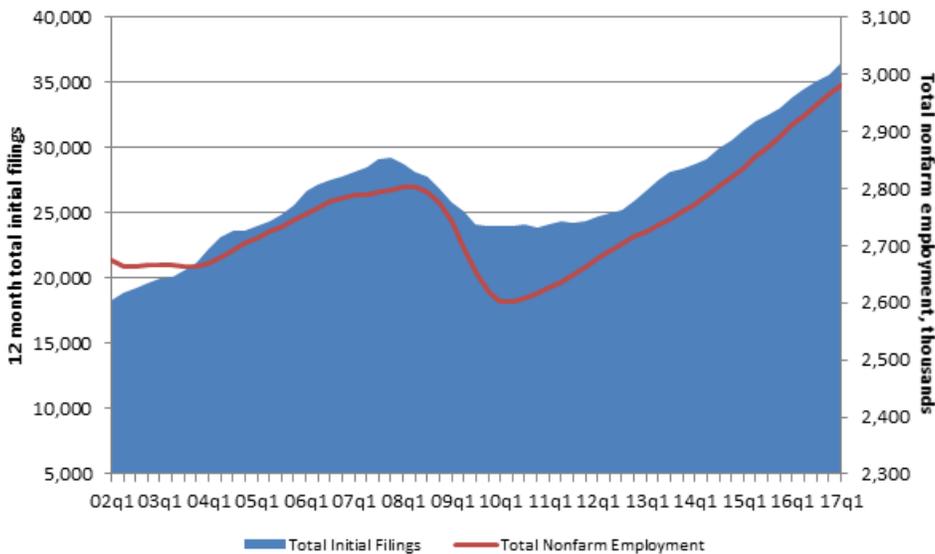
TENNESSEE SECRETARY OF STATE
Tre Hargett

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



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

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Tre Hargett
Tennessee Secretary of State
State Capitol, First Floor
600 Charlotte Avenue
Nashville, TN 37243
Phone: (615) 741-2819
www.sos.tn.gov

Prepared by the
Boyd Center for Business
and Economic Research
Haslam College of Business
University of Tennessee

EMPLOYMENT FORECASTS

Q2 2017 vs Q1 2017 ↑

Q2 2017 vs Q2 2016 ↑

Q3 2017 vs Q3 2016 ↑

INDICATORS

Employment (SA)

vs. prior month ↑

vs. prior year ↑

New Entity Filings

vs. prior quarter ↑

vs. prior year ↑

Annual Report Filings

vs. prior quarter ↑

vs. prior year ↑

Unemployment

vs. prior month ↓

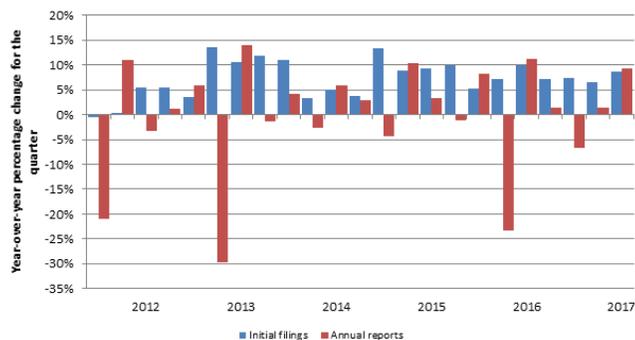
vs. prior year ↑

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 shrunk (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 con-

Figure 2: Initial Filings and Annual Reports



Source: Tennessee Business Filing Data.

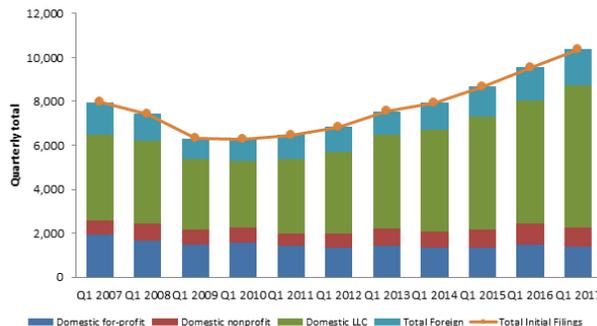
sistently been larger than fourth quarter filings of the preceding year.

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

Figure 3: Initial Filings



Source: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2017 Q1)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,371	19.5%	-7.6%	4,889
Domestic Nonprofit Corporations	898	12.4%	-4.5%	3,487
Domestic LLC	6,481	35.4%	14.9%	21,864
Foreign Entities - Total	1,622	9.4%	9.4%	6,164
Total Business Entity New Filings	10,372	26.3%	8.7%	36,404
Business Entity Annual Reports				
Domestic For-Profit Corporations	33,308	819.9%	1.6%	54,728
Domestic Nonprofit Corporations	20,183	426.8%	7.0%	39,441
Domestic LLC	56,174	2407.8%	14.8%	87,342
Foreign Entities - Total	34,544	1450.4%	9.9%	46,198
Total Business Entity Annual Reports	144,209	1109.8%	9.2%	227,709
Total Active Entities	259,282	3.8%	5.2%	-
Other Business Filings				
Dissolutions	2,401	59.3%	0.9%	29,453
Initial Trademark Registrations	232	90.2%	0.4%	754
Initial Assumed Name Registrations	1,484	52.4%	23.9%	4,818

Table 2: Initial Filings among the Four Largest TN Counties, 2017Q1

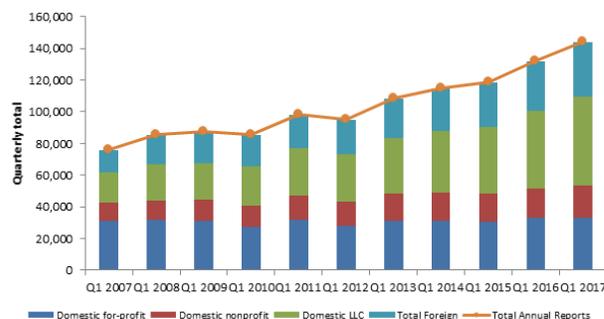
Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,395	32.8%	5.7%
2	Shelby	1,949	34.0%	13.6%
3	Knox	894	25.6%	18.3%
4	Hamilton	787	54.9%	32.3%
Total		6,025	34.6%	13.0%

Source: Tennessee Business Filing Data.

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

Figure 4: Annual Reports

Source: Tennessee Business Filing Data.

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), TR³, 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

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2016Q4]	292,826	2.7%	3.2%
Total tax revenue (millions of dollars) - monthly [2017-March]	994	17.4%	-9.2%
Sales tax revenue (millions of dollars) - monthly [2017-March]	596	-3.5%	-6.3%
Franchise & excise tax revenue (millions of dollars) - monthly [2017-March]	200	381.7%	-20.2%
Total nonfarm employment (in thousands) - monthly [2017-March]	3,015	0.3%	2.2%
Manufacturing employment (in thousands) - monthly [2017-March]	347	-0.4%	1.6%
Mining, logging, & construction employment (in thousands) - monthly [2017-March]	126	-0.9%	6.5%

Unemployment rate (%)

March 2017		February 2017		March 2016	
Rate	Change	Rate	Change	Rate	Change
5.1		5.3	-0.2	4.6	0.5

^aPeriods are quarters unless otherwise noted.

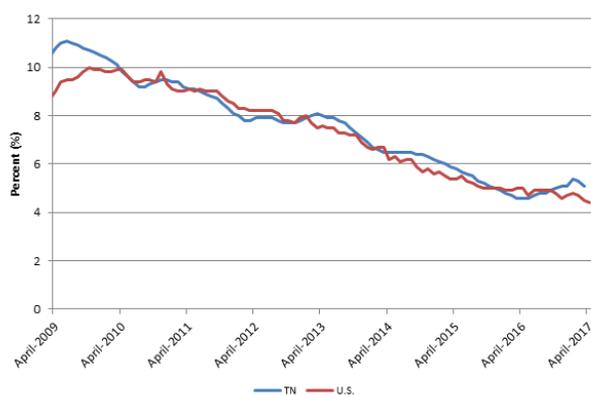
Sources in order as metrics appear and dates in parenthesis indicate most recent data available at time of publication: Bureau of Economic Analysis, Tennessee Department of Revenue, and Bureau of Labor Statistics.

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

Figure 5: Unemployment Rate



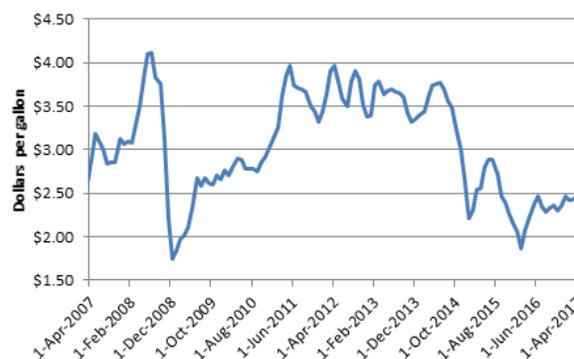
Source: Bureau of Labor Statistics.

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 lacklus-

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

ter 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.

TABLE 4: NATIONAL DATA

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

Unemployment rate (%)

April 2017		March 2017		April 2016	
Rate	Change	Rate	Change	Rate	Change
4.4	-0.1	4.5	-0.1	5.0	-0.6

^a 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 Analysis, IHS Global Insights, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Bureau of Labor Statistics.