

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

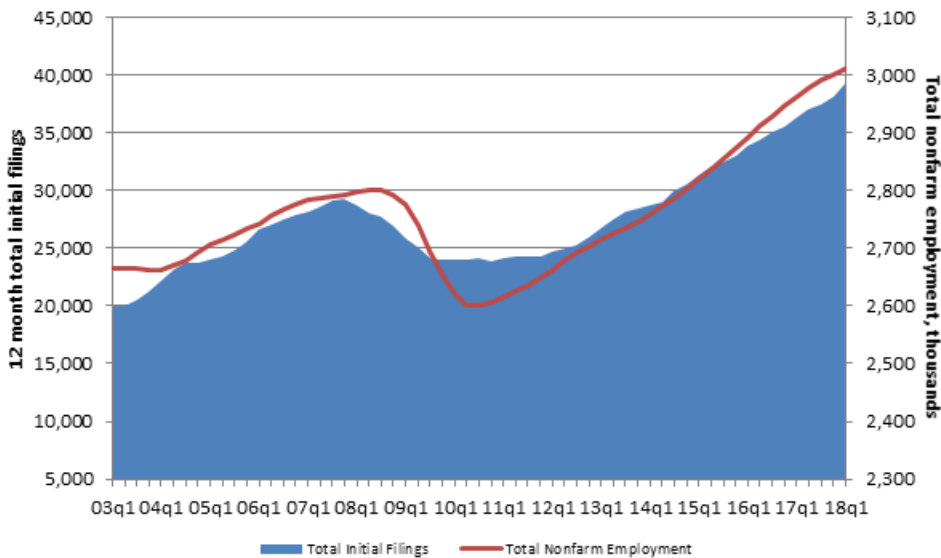
Business Filings Overview

In the first quarter of 2018, new entity filings and annual reports both grew compared to the same quarter last year. During this period, the number of dissolutions and initial trademark registrations fell, while initial assumed name registrations grew modestly. Over the last 12 months, the state recorded 39,245 new entity filings and 231,651 annual reports. As of April 1, 2018, there were 273,437 active entities in Tennessee, which is 5.5 percent higher than last year's count. Compared to the previous quarter, new entity filings and annual reports have both grown. This is a normal seasonal pattern. Since 1993, the number of new entity filings and annual reports in the first quarter have always outpaced those in the fourth quarter of the preceding year.

IN THIS ISSUE

- Business Filings Overview..... 1
- Initial Filings..... 2
- Annual Reports and Dissolutions 3
- Tennessee Economic Indicators..... 3
- National Economic Indicators..... 4

Figure 1: Tennessee Employment and New Entity Filings



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

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

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

EMPLOYMENT FORECASTS

Q2 2018 vs Q1 2017 ↑

Q2 2018 vs Q2 2017 ↑

Q3 2018 vs Q3 2017 ↑

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 (SA)

vs. prior month ↔
vs. prior year ↓

New entity filing gains suggest continued growth for the Tennessee economy. 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 expanded by 10.7 percent compared to the first quarter of 2017, suggesting sustained economic growth in the near term.

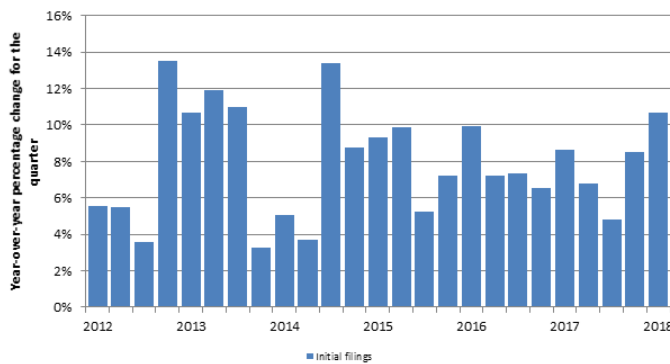
Initial Filings

There were 11,480 new entity filings (i.e. initial filings) recorded during the first quarter of 2018, representing a 10.7 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth for 26 consecutive quarters (Figure 2). All categories of new entity filings grew

compared to last year. Domestic limited liability corporations (LLCs), which account for nearly two-thirds of all new entity filings, saw the strongest growth, increasing by 13.3 percent compared to the first quarter of 2017, followed by foreign entity filings, which grew by 8.1 percent. Domestic firms accounted for 84.7 percent of all new entity filings in the first quarter, while foreign entities accounted for the remaining 15.3 percent.

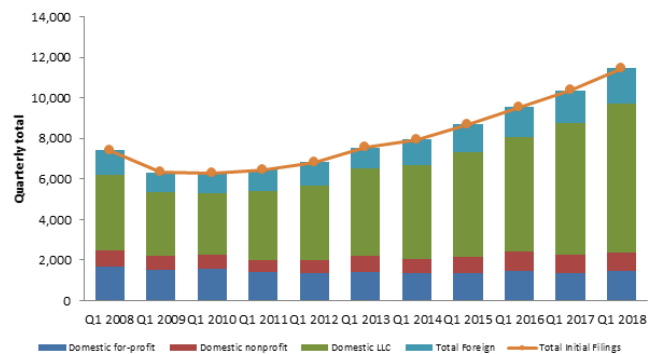
Among the four largest Tennessee counties there were 6,618 new entity filings recorded during the first quarter of 2018, representing a 9.8 percent increase from the year prior (Table 2). These four counties accounted for 57.6 percent of all new entity filings in the state. Davidson County registered the largest number of new entity filings, with 2,722, followed by Shelby County with 2,115.

Figure 2: Growth in Quarterly Initial Filings



Source: Tennessee Business Filing Data.

Figure 3: Initial Filings



Source: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2018 Q1)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,457	6.3%	5,239
Domestic Nonprofit Corporations	926	3.1%	3,385
Domestic LLC	7,344	13.3%	24,388
Foreign Entities - Total	1,753	8.1%	6,233
Total Business Entity New Filings	11,480	10.7%	39,245
Business Entity Annual Reports			
Domestic For-Profit Corporations	33,195	-0.3%	53,638
Domestic Nonprofit Corporations	20,379	1.0%	39,260
Domestic LLC	61,185	8.9%	92,008
Foreign Entities - Total	35,647	3.2%	46,745
Total Business Entity Annual Reports	150,406	4.3%	231,651
Total Active Entities	273,437	5.5%	-
Other Business Filings			
Dissolutions	1,309	-45.5%	30,026
Initial Trademark Registrations	216	-6.9%	885
Initial Assumed Name Registrations	1,494	0.7%	5,317

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2018Q1

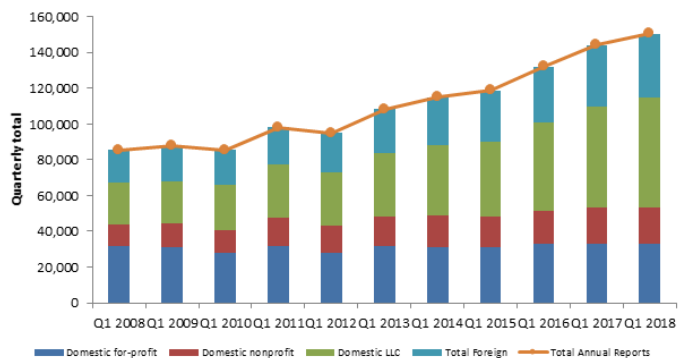
Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,722	13.7%
2	Shelby	2,115	8.5%
3	Knox	968	8.3%
4	Hamilton	813	3.3%
	Total	6,618	9.8%

Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

There were 150,406 annual reports filed in the first quarter of 2018, representing a 4.3 percent increase compared to the same quarter last year. Domestic firms accounted for 76.2 percent of all annual reports, and foreign entities accounted for the remaining 23.7 percent. Annual reports of domestic LLCs saw the strongest growth, expanding by 8.9 percent compared to the first quarter of 2017, followed by foreign entities (3.2 percent) and domestic non-profit corporations (1.0 percent), while renewals of domestic for profit corporations fell by 0.3 percent.

There were 1,309 dissolutions filed during the first quarter of 2018, representing a sizeable reduction of 45.5 percent compared to the first quarter of 2017. There is often a lag between actual business dissolution and dissolution filings, as business entities do not always voluntarily dissolve themselves. Thus, this reduction in dissolutions could suggest that fewer entities are going out of business, or that more administrative dissolutions are forthcoming.

Figure 4: Annual Reports

Source: Tennessee Business Filing Data.

Tennessee Economic Indicators

The Tennessee economy continues to experience solid economic growth. In April, nonfarm employment grew by 1.5 percent, or 45,000 jobs, compared to the same month last year. Employment in the manufacturing sector expanded by 0.3 percent or 1,200 jobs, and jobs in the mining, logging, and construction sector grew by 1.7 percent, representing an increase of 2,100 jobs. The state unemployment rate held steady at 3.4 percent from March to April, and is 0.6 percentage points below the prevailing state rate from last April. Tennessee's unemployment rate is well below the national rate of 3.8 percent (Figure 5).

In April 2018, Tennessee tax revenues were up 3.8 percent compared to the same month last year. During this period, sales tax

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	(year-over- year)
Personal income (millions of dollars) [2017Q4]	295,419	4.6%	3.5%
Total tax revenue (millions of dollars) - monthly [2018-April]	1,938	-	3.8%
Sales tax revenue (millions of dollars) - monthly [2018-April]	790	-	4.3%
Franchise & excise tax revenue (millions of dollars) - monthly [2018-April]	686	-	11.3%
Total nonfarm employment (in thousands) - monthly [2018-April]	3,048	-0.003%	1.5%
Manufacturing employment (in thousands) - monthly [2018-April]	351	0.1%	0.3%
Mining, logging, & construction employment (in thousands) - monthly [2018-April]	126	1.2%	1.7%

Unemployment rate (%)					
April 2018		March 2018		April 2017	
Rate		Rate	Change	Rate	Change
3.4		3.4	0.0	4.0	-0.6

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.

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.

revenues grew by 4.3 percent, and franchise and excise tax revenues expanded by a robust 11.3 percent on a year-over-year basis. For the fiscal year-to-date, (August 2017 to April 2018), Tennessee tax revenues have increased by 4.3 percent. In the fourth quarter of 2017, nominal personal income grew to \$295.4 billion, representing a 4.6 percent increase compared to the previous quarter. This was the fastest state income growth registered since the third quarter of 2016.

National Economic Indicators

National economic data from the first quarter of 2018 are mixed, but mostly positive. Inflation-adjusted gross domestic product (real GDP) growth slowed to an annual rate of 2.2 percent compared to the previous quarter, due to weakened consumer spending growth of 1.0 percent. However, personal income grew

by a robust 4.3 percent compared to the previous quarter, marking two consecutive quarters of income growth above 4 percent. Nonfarm employment also expanded by 1.6 percent compared to last May, as the national economy saw solid employment gains with an addition of 223,000 new jobs compared to the month prior.

Light vehicle sales fell to an annual rate of 17.15 units in first quarter, down 3.2 percent from the prior quarter, while housing starts grew by 4.9 percent compared to the previous quarter and are up 6.5 percent over the first quarter of 2017. Retail gasoline prices have surged upwards in recent months and were \$2.99/gallon in May. This is a 4.0 percent increase compared to the previous month, and is 19.3 percent higher than the prevailing price in May 2017. Though, the current retail gasoline price is still below the \$3.00-\$3.75/gallon price range that we saw in 2014 (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) [2018Q1]	16,840	4.3%	3.7%
Real GDP (2009 billions of dollars) [2018Q1]	17,380	2.2%	2.8%
Consumer price index (1982-84 = 1.00) [2018Q1]	2.49	0.9%	2.3%
Light vehicle sales (millions) [2018Q1]	17.15	-3.2%	0.1%
Housing starts (millions) [2018Q1]	1.32	4.9%	6.5%
Federal funds rate (%) [2018Q1]	1.45	20.2%	106.7%
30-year fixed mortgage rate (%) [2018Q1]	4.27	8.9%	2.3%
S&P 500 stock index [2018Q1]	2,733	4.9%	17.6%
Retail Gasoline Prices (dollars per gallon) - monthly [2018-May]	2.99	4.0%	19.3%
Total nonfarm employment (in thousands) - monthly [2018-May]	148,662	0.2%	1.6%

Unemployment rate (%)	May 2018		April 2017		May 2017	
	Rate	Change	Rate	Change	Rate	Change
	3.8	-0.1	3.9	-0.1	4.3	-0.5

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.