

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

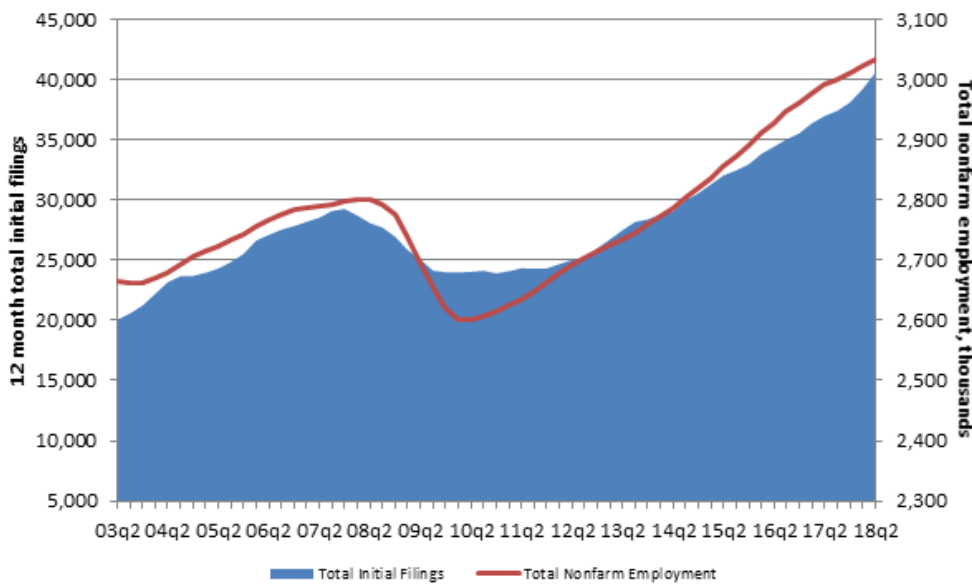
Business Filings Overview

New entity filings and annual reports both saw year-over-year gains during the second quarter of 2018. During this period, the number of dissolutions shrunk while initial trademark registrations and initial assumed name registrations grew. Over the last 12 months, Tennessee has recorded 40,609 new entity filings and 234,805 annual reports. Compared to the previous quarter, new entity filings fell by 5.2 percent and the number of annual reports shrunk by 66.5 percent. This is a normal seasonal pattern. Since 1993, the number of new entity filings and annual reports recorded during the second quarter have always been lower than those from the first quarter of the same year. For this reason, we largely focus on year-over-year growth rates.

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Figure 1: Tennessee Employment and New Entity Filings



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

EMPLOYMENT FORECASTS

Q3 2018 vs Q2 2018



Q3 2018 vs Q3 2017



Q4 2018 vs Q4 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



Increases in new entity filings suggest sustained economic growth for Tennessee. 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 14.3 percent compared to the second quarter of 2017, suggesting continued economic growth in the near term.

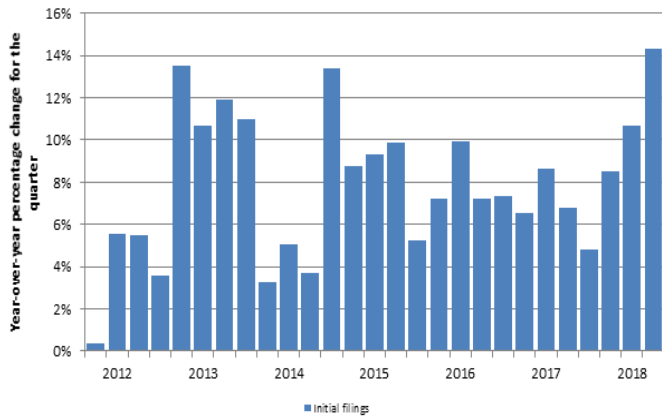
Initial Filings

There were 10,888 new entity filings (i.e. initial filings) reported during the second quarter of 2018, a 14.3 percent increase over the same quarter last year. Initial filings have now registered positive year-over-year gains in 27 consecutive quarters (Figure 2). The current 14.3 percent growth rate is the fastest during the current recovery. All categories of new entity filings grew over last year. New filings of domestic limited liability corporations (LLCs), which account for nearly two-thirds of all new filings, saw

the strongest growth, increasing by 20.0 percent over the same quarter last year, followed by domestic for-profit corporations, which grew by 6.9 percent. Domestic firms accounted for 84.3 percent of all new filings in the second quarter and foreign entities accounted for the remaining 15.7 percent.

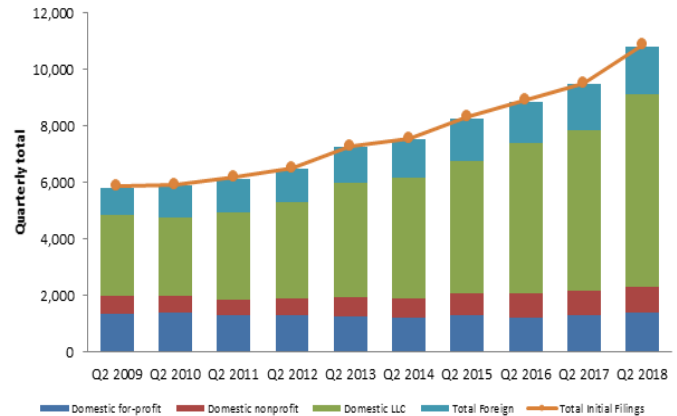
Among the four largest Tennessee counties there were 6,306 new entity filings recorded during the second quarter of 2018, representing a 13.3 percent increase over the same period last year (Table 2). These four counties accounted for 57.9 percent of all new entity filings in the state. Davidson recorded the largest number of new entity filings, with 2,511, followed by Shelby with 2,136. However, the number of new filings in the four largest counties increased at a slower rate than the state average.

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 Q2)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,401	6.9%	5,329
Domestic Nonprofit Corporations	906	6.0%	3,436
Domestic LLC	6,868	20.0%	25,532
Foreign Entities - Total	1,713	4.8%	6,312
Total Business Entity New Filings	10,888	14.3%	40,609
Business Entity Annual Reports			
Domestic For-Profit Corporations	11,712	-1.1%	53,508
Domestic Nonprofit Corporations	8,676	2.7%	39,487
Domestic LLC	23,802	11.4%	94,450
Foreign Entities - Total	6,164	11.1%	47,360
Total Business Entity Annual Reports	50,354	6.7%	234,805
Total Active Entities	282,982	5.9%	-
Other Business Filings			
Dissolutions	1,309	-36.6%	29,269
Initial Trademark Registrations	227	0.9%	887
Initial Assumed Name Registrations	1,424	18.8%	5,542

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2018Q2

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,511	11.4%
2	Shelby	2,136	18.8%
3	Knox	885	8.1%
4	Hamilton	774	11.5%
Total		6,306	13.3%

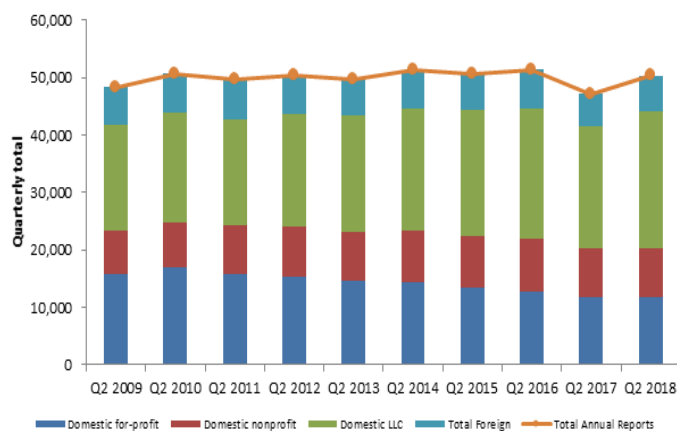
Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

Tennessee recorded 50,354 annual reports during the second quarter of 2018, representing a 6.7 percent increase over the same quarter last year. Domestic firms accounted for 87.8 percent of all annual reports, and foreign entities accounted for the remaining 12.2 percent. Annual reports of domestic LLCs saw the largest gains, increasing by 11.4 percent over the second quarter of 2017, followed by foreign entities (11.1 percent), and domestic nonprofit corporations (2.7 percent), while renewals of domestic for-profit corporations shrunk by 1.1 percent.

There were 1,309 dissolutions filed during the second quarter of 2018, which was 36.6 percent lower than the number of dissolutions filed in the second 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

Economic data show signs of positive growth in Tennessee.

In June, nonfarm employment expanded by 2.0 percent or 59,500 jobs compared to the same month last year. Employment in the manufacturing sector advanced by 0.3 percent representing an increase of 1,000 jobs, and the mining, logging, and construction sector saw job growth of 2.8 percent, gaining 3,500 new jobs since last June. The state unemployment rate remained unchanged from May to June, and is currently sitting at 3.5 percent, which is just 0.1 percentage points below the prevailing state rate from last June. Tennessee's unemployment rate is well below the national rate of 3.9 percent (Figure 5), and the state rate has now rested below 4 percent for 14 consecutive months.

In June 2018, Tennessee tax revenues grew by 2.2 percent over the

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2018Q1]	295,901	4.8%	3.7%
Total tax revenue (millions of dollars) - monthly [2018-June]	1,449	-	2.2%
Sales tax revenue (millions of dollars) - monthly [2018-June]	771	-	5.2%
Franchise & excise tax revenue (millions of dollars) - monthly [2018-June]	418	-	-8.5%
Total nonfarm employment (in thousands) - monthly [2018-June]	3,070	0.4%	2.0%
Manufacturing employment (in thousands) - monthly [2018-June]	350	0.4%	0.3%
Mining, logging, & construction employment (in thousands) - monthly [2018-June]	128	1.0%	2.8%

Unemployment rate (%)

June 2018		May 2018		June 2017	
Rate		Rate	Change	Rate	Change
3.5		3.5	0.0	3.6	-0.1

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.

same month last year. Sales tax revenues were up 5.2 percent, while franchise and excise tax revenues fell by 8.5 percent. However, the decline in franchise and excise tax revenue was due to a large one-time payment made last June, which raised the basis for comparison. Compared to June 2016, franchise and excise tax collections still grew by 4.8 percent. For the fiscal year-to-date, (August 2017 to June 2018), Tennessee tax revenues have increased by 4.1 percent. In the first quarter of 2018, nominal personal income reached \$295.9 billion, representing a 4.8 percent increase compared to the previous quarter, marking two consecutive quarters of robust state income growth.

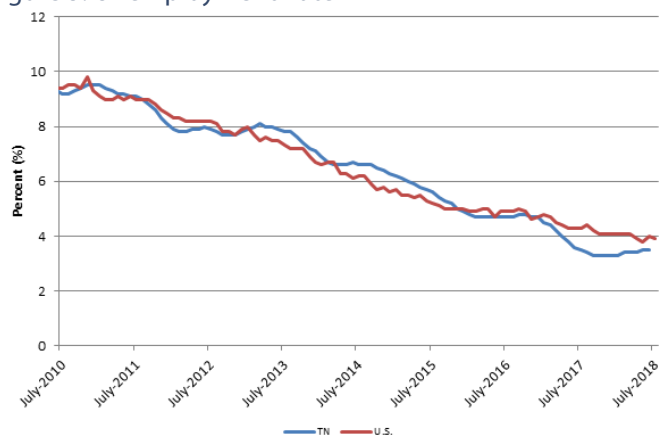
National Economic Indicators

The U.S. economy saw strong economic growth in the second quarter of 2018. Inflation-adjusted gross domestic product (real GDP) accelerated at an annual rate of 4.1 percent growth compared to the previous quarter, due to strengthening consumer spending and export growth. Personal income grew by a robust 4.3 percent

compared to the previous quarter. Previous estimates of personal income have also been revised upwards, and as a result, personal income has now risen by more than 4 percent in four consecutive quarters. Nonfarm employment increased by 1.6 percent compared to last July, representing an increase of 157,000 new jobs compared to the previous month.

Light vehicle sales fell to an annual rate of 17.01 units in the second quarter of 2018, down 0.9 percent compared to the previous quarter, but are still up 1.5 percent compared to the second quarter of 2017. Housing starts have expanded by 0.3 percent compared to the previous quarter, and year-over-year growth is 13.2 percent. Retail gasoline prices are currently resting at \$2.93/gallon in July. This is a 1.4 percent decrease compared to the previous month, but a 21.3 percent increase over the same time last year, as retail gasoline prices have been on an upward trend in recent months (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) [2018Q2]	17,503	4.3%	4.7%
Real GDP (2009 billions of dollars) [2018Q2]	18,507	4.1%	2.8%
Consumer price index (1982-84 = 1.00) [2018Q2]	2.50	0.4%	2.7%
Light vehicle sales (millions) [2018Q2]	17.01	-0.9%	1.5%
Housing starts (millions) [2018Q2]	1.32	0.3%	13.2%
Federal funds rate (%) [2018Q2]	1.74	20.3%	83.2%
30-year fixed mortgage rate (%) [2018Q2]	4.54	6.4%	13.9%
S&P 500 stock index [2018Q2]	2,703	-1.1%	12.8%
Retail Gasoline Prices (dollars per gallon) - monthly [2018-July]	2.93	-1.4%	21.3%
Total nonfarm employment (in thousands) - monthly [2018-July]	149,128	0.1%	1.6%

Unemployment rate (%)

July 2018		June 2018		July 2017	
Rate		Rate	Change	Rate	Change
3.9		4.0	-0.1	4.3	-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.