

# THE TN QUARTERLY

## BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE  
Tre Hargett

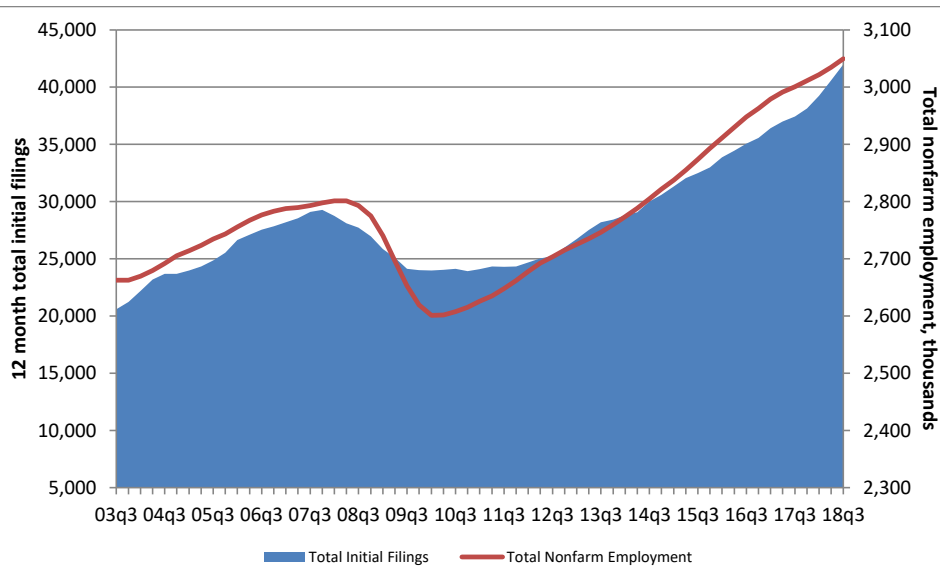
### Business Filings Overview

Both new entity filings and annual reports saw robust year-over-year growth in the third quarter of 2018. During the same period, the number of initial assumed name registrations grew while dissolutions and initial trademark registrations shrunk. Over the last 12 months, Tennessee has tallied 41,992 new entity filings and 236,825 annual reports. Compared to the previous quarter, new entity filings have fallen by 1.6 percent, and annual reports are down 53.0 percent. The large drop-off in annual reports is a common seasonal pattern. Since 1993, annual reports in the second quarter have always outpaced those in the third quarter. For this reason, we largely focus on year-over-year growth rates.

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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

Q4 2018 vs Q3 2018



Q4 2018 vs Q4 2017



Q1 2019 vs Q1 2018



### 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



**Gains in new entity filings point towards continued 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. New entity filings grew by 14.8 percent compared to the third quarter of 2017, suggesting sustained economic growth in the near term.

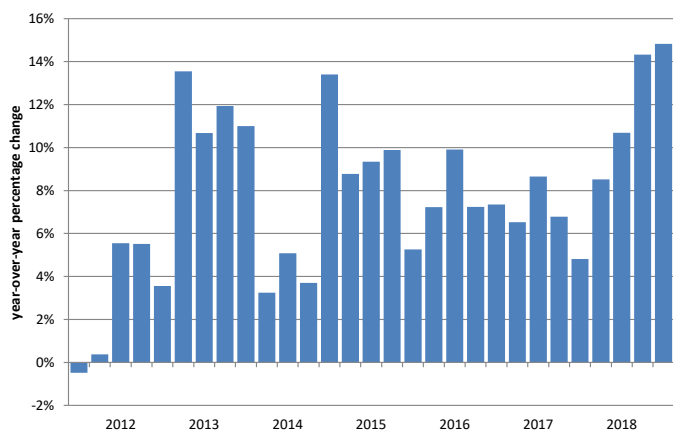
### Initial Filings

Tennessee recorded 10,709 new entity filings (i.e. initial filings) in the third quarter of 2018, representing a strong 14.8 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth in 28 consecutive quarters (Figure 2). The current 14.8 percent growth rate is the fastest of the last 10 years, and this marks two consecutive quarters of robust filing gains. All categories of new entity

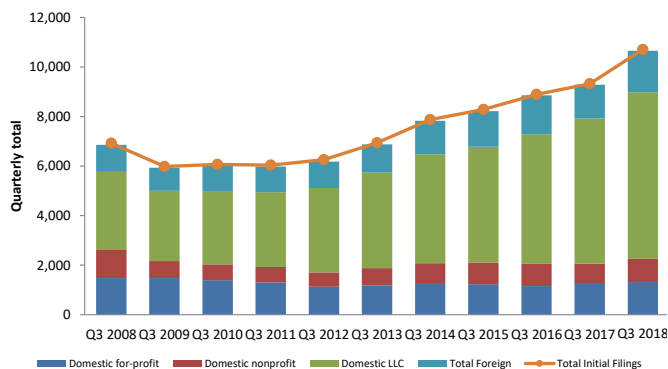
filings grew over last year. New filings of foreign entities saw the strongest growth, increasing by 23.3 percent, followed by domestic nonprofit corporations (up 15.3 percent) and domestic limited liability corporations (LLCs), which grew by 14.7 percent. Domestic firms accounted for 84.3 percent of all new filings in the third quarter while foreign entities accounted for the remaining 15.7 percent.

Among the four largest Tennessee counties there were 6,083 new entity filings recorded during the third quarter of 2018, representing a 10.3 percent increase over the same quarter last year (Table 2). These four counties accounted for more than half of all new entity filings in the state, but new filings in these four counties grew at a slower rate than the state average. Davidson recorded the largest number of new filings, with 2,450, closely followed by Shelby with 2,055.

**Figure 2: Growth in Quarterly Initial Filings**



**Figure 3: Initial Filings**



Source for graphs: Tennessee Business Filing Data.

**TABLE 1: BUSINESS FILINGS - QUARTERLY**

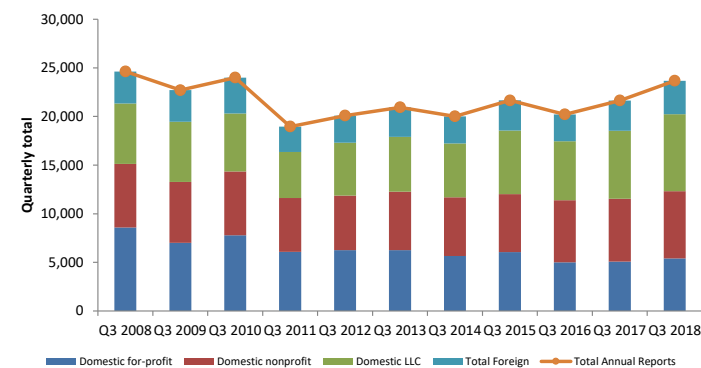
	Current Quarter (2018 Q3)	% Change (year-over-year)	Running 12-Month Total
<b>Business Entity Initial Filings</b>			
Domestic For-Profit Corporations	1,318	5.8%	5,401
Domestic Nonprofit Corporations	941	15.3%	3,561
Domestic LLC	6,774	14.7%	26,401
Foreign Entities - Total	1,676	23.3%	6,629
<b>Total Business Entity New Filings</b>	<b>10,709</b>	<b>14.8%</b>	<b>41,992</b>
<b>Business Entity Annual Reports</b>			
Domestic For-Profit Corporations	5,406	6.4%	53,834
Domestic Nonprofit Corporations	6,903	6.7%	39,923
Domestic LLC	7,921	13.2%	95,374
Foreign Entities - Total	3,440	10.8%	47,694
<b>Total Business Entity Annual Reports</b>	<b>23,670</b>	<b>9.3%</b>	<b>236,825</b>
<b>Total Active Entities</b>	<b>267,952</b>	<b>5.7%</b>	<b>-</b>
<b>Other Business Filings</b>			
Dissolutions	24,106	-4.5%	28,133
Initial Trademark Registrations	190	-25.5%	822
Initial Assumed Name Registrations	1,431	5.9%	5,622

Source: Tennessee Business Filing Data.

**Table 2: Initial Filings among the Four Largest TN Counties, 2018Q3**

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,450	10.4%
2	Shelby	2,055	10.0%
3	Knox	858	8.5%
4	Hamilton	720	13.4%
Total		6,083	10.3%

Source: Tennessee Business Filing Data.

**Figure 4: Annual Reports**

Source: Tennessee Business Filing Data.

## Annual Reports and Dissolutions

There were 23,670 annual reports filed in the third quarter of 2018, representing a 9.3 percent year-over-year increase. Domestic firms accounted for 85.5 percent of all annual reports, and foreign entities accounted for the remaining 14.5 percent. Growth in annual reports was seen in all categories, with domestic LLCs seeing the strongest gains, increasing by 13.2 percent, followed by foreign entities (up 10.8 percent).

There were 24,106 dissolutions filed in the third quarter of 2018, a 4.5 percent drop compared to the same quarter last year. Compared to the previous quarter, dissolutions grew more than 15-fold, but this is a common seasonal pattern as many entities are administratively dissolved in August for failing to file their annual report. As a result, dissolutions commonly spike in August every year and this is not indicative of any broader economic trend.

## Tennessee Economic Indicators

The state economy continues to see solid economic gains.

In September, nonfarm employment grew by 2.1 percent or 63,900 jobs compared to the same month last year. Manufacturing employment expanded by 2.2 percent, representing an addition of 7,800 new jobs since last September, and employment in the mining, logging, and construction sector inched up 1.4 percent or 1,800 jobs. For the manufacturing sector, this was the strongest year-over-year job growth since February 2017. The state unemployment rate remained unchanged from August to September, and is currently hovering at 3.6 percent, which is 0.3 percentage points above the incredibly low state rate of 3.3 percent from last September. Tennessee's unemployment rate is slightly below the national rate of 3.7 percent (Figure 5), and the state rate has now rested below 4 percent for 17 consecutive months.

**TABLE 3: TENNESSEE DATA**

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2018Q2]	316,836	3.4%	4.1%
Total tax revenue (millions of dollars) - monthly [2018-September]	1,424	-	4.7%
Sales tax revenue (millions of dollars) - monthly [2018-September]	778	-	7.2%
Franchise & excise tax revenue (millions of dollars) - monthly [2018-September]	401	-	-0.5%
Total nonfarm employment (in thousands) - monthly [2018-September]	3,081	0.3%	2.1%
Manufacturing employment (in thousands) - monthly [2018-September]	356	0.7%	2.2%
Mining, logging, & construction employment (in thousands) - monthly [2018-September]	127	0.3%	1.4%

### Unemployment rate (%)

September 2018		August 2018		September 2017	
Rate		Rate	Change	Rate	Change
3.6		3.6	0.0	3.3	0.3

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.

In September 2018, Tennessee tax revenues grew by 4.7 percent over the same month last year. Sales tax revenues were up a robust 7.2 percent, while franchise and excise tax revenues fell by 0.5 percent. For the fiscal year-to-date (August to September), Tennessee tax revenues have expanded by 5.8 percent or \$134.9 million. In the second quarter of 2018, nominal personal income reached \$316.8 billion, representing a 3.4 percent increase over the previous quarter.

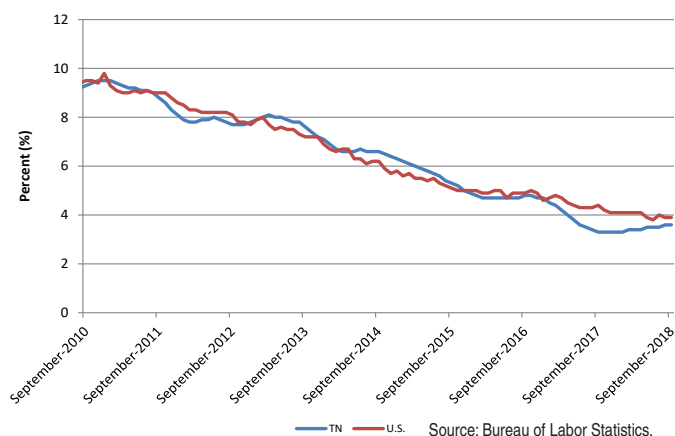
### National Economic Indicators

**The U.S. economy saw strong growth in the third quarter of 2018.** Inflation adjusted gross domestic product (real GDP) advanced at an annual rate of 3.5 percent compared to the previous quarter, due to strong growth in both consumer and government

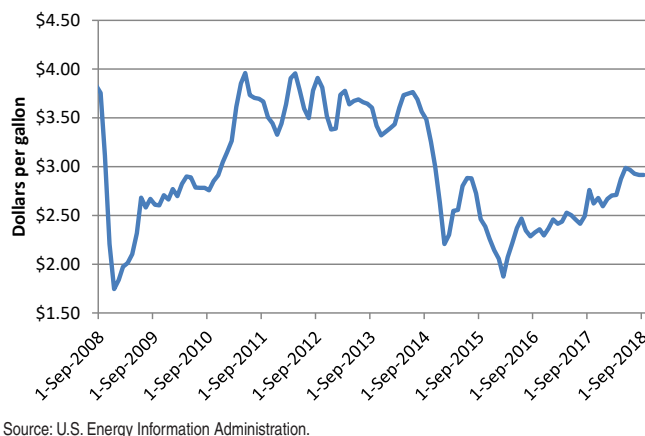
spending. Personal income increased by 4.2 percent over the previous quarter. Nonfarm employment grew by 1.7 percent compared to last September, representing a moderate increase of 134,000 new jobs compared to the previous month.

Light vehicle sales fell to an annual rate of 16.9 million units in the third quarter of 2018, down 1.1 percent compared to the same quarter last year, suggesting that vehicle sales may have already reached their peak for the current business cycle. Housing starts are down 1.9 percent compared to the previous quarter, but have grown by 5.5 percent compared to the third quarter of 2017. Retail gasoline prices have stabilized at the \$2.92/gallon mark in September, unchanged from the previous month but 5.6 percent higher than the prevailing price from last September (Figure 6).

**Figure 5: Unemployment Rate**



**Figure 6: Retail Gasoline Prices – All Grades**



### TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2018Q3]	17,680	4.2%	4.6%
Real GDP (2012 billions of dollars) [2018Q3]	18,672	3.5%	3.0%
Consumer price index (1982-84 = 1.00) [2018Q3]	2.52	0.5%	2.6%
Light vehicle sales (millions) [2018Q3]	16.90	-1.8%	-1.1%
Housing starts (millions) [2018Q3]	1.24	-1.9%	5.5%
Federal funds rate (%) [2018Q3]	1.92	10.4%	66.6%
30-year fixed mortgage rate (%) [2018Q3]	4.57	0.7%	17.5%
S&P 500 stock index [2018Q3]	2,851	5.5%	15.5%
Retail Gasoline Prices (dollars per gallon) - monthly [2018-September]	2.92	0.0%	5.6%
Total nonfarm employment (in thousands) - monthly [2018-September]	149,500	0.1%	1.7%

Unemployment rate (%)

September 2018		August 2018		September 2017	
Rate		Rate	Change	Rate	Change
3.7		3.9	-0.2	4.2	-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.