

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

Business Filings Overview

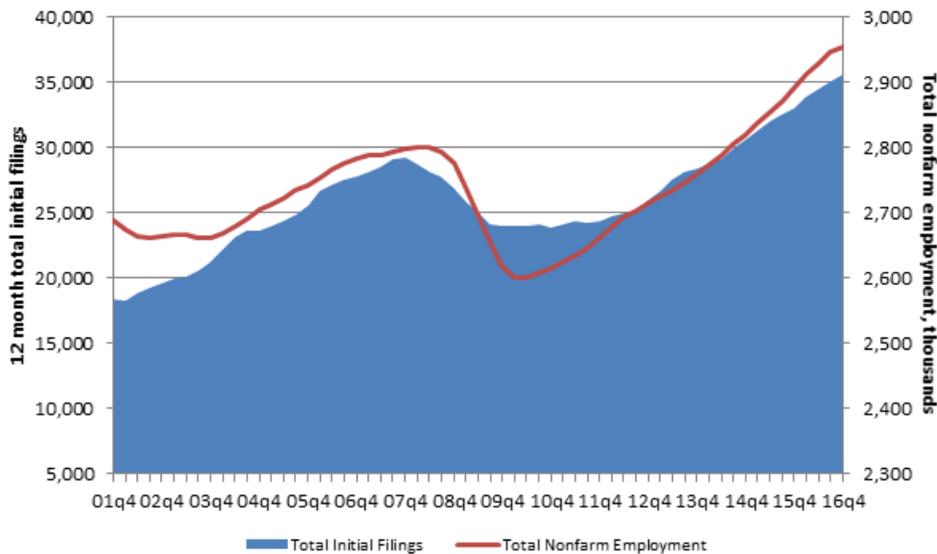
New entity filings and annual reports saw year-over-year gains during the fourth quarter of 2016. At the same time, dissolutions, initial trademark registrations, and initial assumed name registrations all shrunk. Over the last 12 months, Tennessee has recorded 35,578 new entity filings and 215,539 annual reports. As of January 1, 2017, there were 249,741 active entities in Tennessee, representing a 3.4 percent increase compared to the previous quarter's count.

Growth in new business filings points to continued improvements in 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 6.5 percent compared to the fourth quarter of 2015, suggesting continued economic growth in the short term.

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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

Q1 2017 vs Q4 2016 ↑

Q1 2017 vs Q1 2016 ↑

Q2 2017 vs Q2 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 ↓

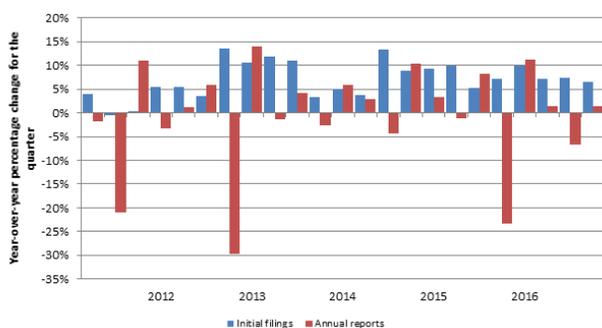
Initial Filings

Tennessee recorded 8,215 new entity filings (i.e. initial filings) during the fourth quarter of 2016, representing a 6.5 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth for 21 consecutive quarters (Figure 2). New entity filings of domestic nonprofit corporations, limited liability corporations (LLCs), and foreign entities all grew over last year while new filings of domestic for-profit corporations fell (Table 1). New filings of domestic LLCs, which account for more than half of all new entity filings, exhibited the strongest growth, advancing 9.8 percent compared to the fourth quarter of 2015. Domestic firms accounted for 81.9 percent of all new entity filings in the fourth quarter, while foreign entities accounted for the remaining 18.1

percent. Compared to the previous quarter, new entity filings were down 7.7 percent, but this was largely due to seasonal variation. In the last decade, fourth quarter filings have been below third quarter filings nine out of 10 years.

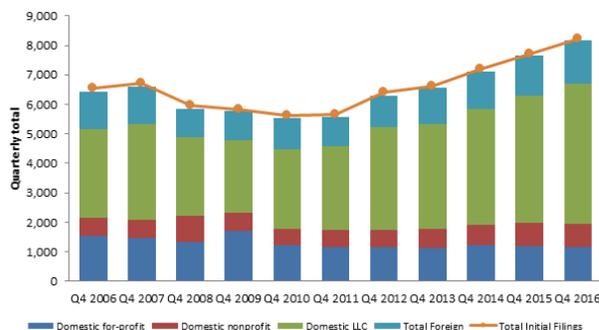
Among the four largest counties there were 4,477 new entity filings during the fourth quarter of 2016, representing an 8.8 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 54.5 percent of all new entity filings in Tennessee. Among the four counties, Davidson County had the largest number of new business entity filings, with 1,803. Shelby County, with 1,454 new filings, came in second but also exhibited the largest growth in new filings over the last year, increasing by 11.9 percent compared to the fourth quarter of 2015. Hamilton County had the fewest new entity filings, with 508. However, all four counties

Figure 2: Initial Filings and Annual Reports



Source: Tennessee Business Filing Data.

Figure 3: Initial Filings



Source: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2016 Q4)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,147	-0.7	-4.4	5,002
Domestic Nonprofit Corporations	799	-12.7	2.6	3,529
Domestic LLC	4,786	-8.9	9.8	21,022
Foreign Entities - Total	1,483	-5.8	7.9	6,025
Total Business Entity New Filings	8,215	-7.7	6.5	35,578
Business Entity Annual Reports				
Domestic For-Profit Corporations	3,621	-27.8	3.8	54,217
Domestic Nonprofit Corporations	3,831	-39.9	-7.1	38,128
Domestic LLC	2,240	-63.1	10.2	80,100
Foreign Entities - Total	2,228	-19.0	5.2	43,094
Total Business Entity Annual Reports	11,920	-41.0	1.4	215,539
Total Active Entities	249,741	3.4	5.1	-
Other Business Filings				
Dissolutions	1,507	-93.6	-0.5	29,432
Initial Trademark Registrations	122	-33.7	-38.4	753
Initial Assumed Name Registrations	974	-14.0	-2.2	4,532

Table 2: Initial Filings among the Four Largest TN Counties, 2016Q4

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	1,803	-15.7	6.6
2	Shelby	1,454	-8.8	11.9
3	Knox	712	-3.0	8.5
4	Hamilton	508	-21.6	8.3
Total		4,477	-12.5	8.8

Source: Tennessee Business Filing Data.

saw solid gains in new entity filings compared to the fourth quarter of 2015.

Annual Reports and Dissolutions

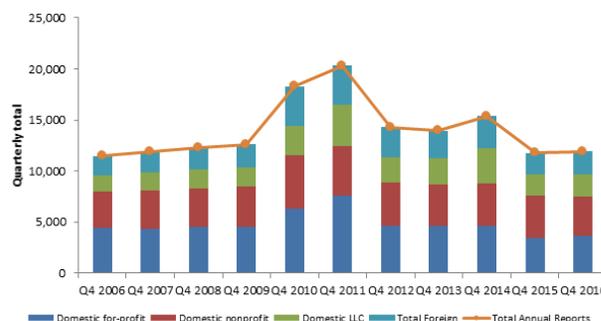
Annual reports grew and dissolutions fell in the fourth quarter of 2016 as compared to the same quarter last year.

There were 11,920 annual reports filed in the fourth quarter, representing a 1.4 percent increase over the fourth quarter of 2015. Domestic firms accounted for 81.3 percent of all annual reports, and 18.7 percent came from foreign entities. Annual reports for domestic LLC's saw the strongest year-over-year gains, increasing by 10.2 percent, followed by foreign entities (5.2 percent), and domestic for-profit corporations (3.8 percent), while annual reports for domestic nonprofit corporations fell by 7.1 percent. There were 1,507 dissolutions filed during the fourth quarter of 2016, representing a 0.5 percent drop compared to the fourth quarter of 2015.

Tennessee Economic Indicators

The Tennessee economy continues to expand, but the unemployment rate inches up as the labor market tight-

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

ens. In December 2016, Tennessee tax revenues were up a solid 11.3 percent on a year-over-year basis, and franchise and excise tax revenues were a robust 38 percent higher than their December 2015 collections. For the fiscal year-to-date (August 2016 to December 2016), Tennessee tax revenues are up a healthy 5.3 percent, largely due to a 17.8 percent increase in franchise and excise tax collections and a 3.6 percent increase in sales tax revenues. Nominal personal income grew to \$288.9 billion in the third quarter of 2016, a 3.2 percent increase over the same quarter last year.

In the Tennessee labor market, nonfarm employment in December grew by 1.6 percent, or 48,300 jobs, compared to last December. Manufacturing employment also expanded by 1.6 percent, representing 5,300 jobs, and jobs in mining, logging, and construction increased by 5.3 percent or 6,400 jobs. How-

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2016Q3]	288,930	4.2	3.2
Total tax revenue (millions of dollars) - monthly [2016-December]	1,234	36.1	11.3
Sales tax revenue (millions of dollars) - monthly [2016-December]	672	-2.5	3.4
Franchise & excise tax revenue (millions of dollars) - monthly [2016-December]	373	3386.0	38.0
Total nonfarm employment (in thousands) - monthly [2016-December]	2,990	0.2	1.6
Manufacturing employment (in thousands) - monthly [2016-December]	343	1.0	1.6
Mining, logging, & construction employment (in thousands) - monthly [2016-December]	128	2.1	5.3

Unemployment rate (%)

December 2016		November 2016		December 2015	
Rate		Rate	Change	Rate	Change
4.9		4.8	0.1	5.6	-0.7

^aPeriods are quarters unless otherwise noted.

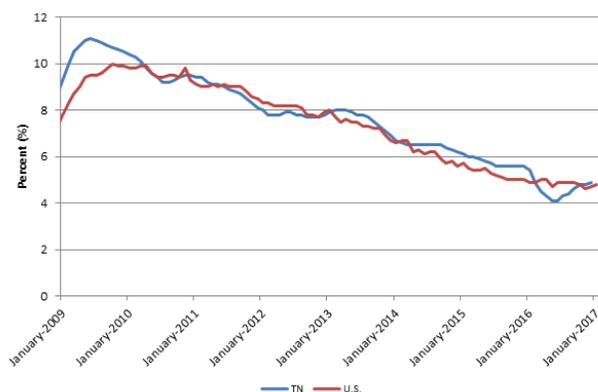
Sources in order as metrics appear and dates in parenthesis indicate most recent data available at time of publication: Bureau of Economic Analysis, Tennessee Department of Revenue, and Bureau of Labor Statistics.

ever, the number of unemployed people in Tennessee increased by 3.9 percent compared to the previous month because of a significant increase in the number of people seeking a job and as a result Tennessee’s monthly unemployment rate saw a slight uptick, increasing from 4.8 percent to 4.9 percent. The state unemployment rate is now slightly above the U.S. rate of 4.8 percent (see Figure 5), but still well below the state rate of 5.6 percent that prevailed just a year ago.

to the previous quarter, which was slightly slower than the 4.2 percent rate of growth seen in Tennessee.

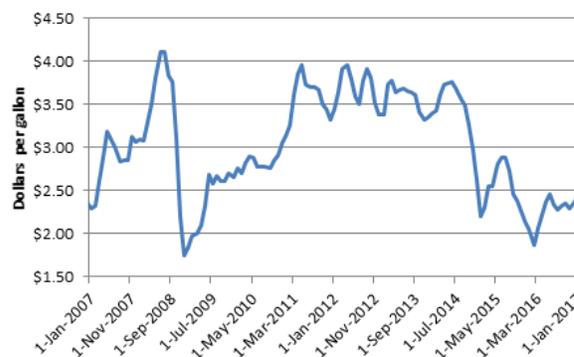
Nonfarm employment expanded by 1.6 percent compared to last January, and grew by a strong 227,000 jobs compared to the month prior, and was well above the three-month average of 183,000 new jobs per month. In the fourth quarter of 2016, housing starts increased by a robust 5 percent compared to the same quarter last year, while light vehicle sales fell by 0.5 percent.

Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

National Economic Indicators

The U.S. economy sees slow, but steady growth. Inflation-adjusted gross domestic product (real GDP) advanced at an annual rate of 1.9 percent in the fourth quarter of 2016, and is also up 1.9 percent compared to the same quarter last year. U.S. personal income grew at an annual rate of 3.8 percent compared

Retail gasoline prices, currently at \$2.46/gallon seem to have steadied, and have hovered around the \$2.30-\$2.40 mark for nine consecutive months. This is 19.5 percent higher than the prevailing price in January 2016, but well below the \$3.00-\$3.75/gallon price range that we saw in 2014.

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2016Q4]	16,254	3.8	3.6
Real GDP (2009 billions of dollars) [2016Q4]	16,805	1.9	1.9
Consumer price index (1982-84 = 1.00) [2016Q4]	2.42	0.9	1.8
Light vehicle sales (millions) [2016Q4]	17.78	1.8	-0.5
Housing starts (millions) [2016Q4]	1.19	4.1	5.0
Federal funds rate (%) [2016Q4]	0.44	11.0	175.1
30-year fixed mortgage rate (%) [2016Q4]	3.68	6.8	-5.6
S&P 500 stock index [2016Q4]	2,185	1.1	6.4
Retail Gasoline Prices (dollars per gallon) - monthly [2016-January]	2.46	3.9	19.5
Total nonfarm employment (in thousands) - monthly [2016-January]	145,554	0.2	1.6

Unemployment rate (%)

January 2017		December 2016		January 2016	
Rate		Rate	Change	Rate	Change
4.8		4.7	0.1	4.9	-0.1

^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.