

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
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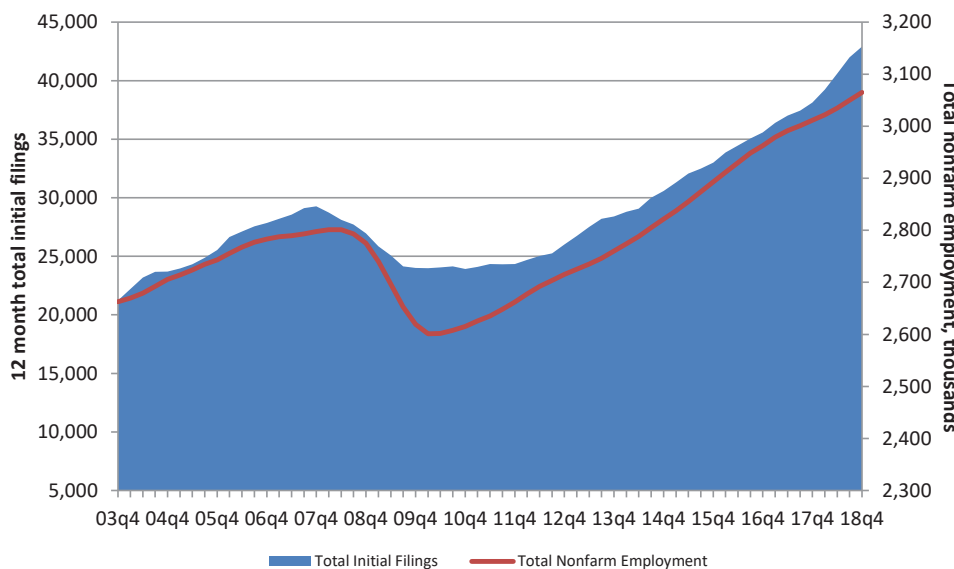
Business Filings Overview

New entity filings and annual reports both saw strong year-over-year growth in the fourth quarter of 2018. During this same period, the number of initial trademark registrations shrank while dissolutions and initial assumed name registrations grew. Over the last twelve months, Tennessee has recorded 42,914 new entity filings and 237,921 annual reports. Compared to the previous quarter, new entity filings have fallen by 8.1 percent, and annual reports are down 43.0 percent. However, this is a common seasonal pattern, as third quarter filings and renewals typically outpace those in the fourth 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



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Source: Tennessee Business Filing Data and Tennessee Department of Labor and Workforce Development.

EMPLOYMENT FORECASTS

Q1 2019 vs Q4 2018 ↑

Q1 2019 vs Q1 2018 ↑

Q2 2019 vs Q2 2018 ↑

INDICATORS

Employment (SA)

(December 2018)

vs. prior month ↓

vs. prior year ↑

New Entity Filings

(Q4 2018)

vs. prior quarter ↓

vs. prior year ↑

Annual Report Filings

(Q4 2018)

vs. prior quarter ↓

vs. prior year ↑

Unemployment (SA)

(December 2018)

vs. prior month ↔

vs. prior year ↑

Growth in new entity filings suggests sustained 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 10.3 percent over the fourth quarter of 2017, suggesting continued economic growth in the short run. However, a prolonged partial government shutdown could dampen this relationship in the near term.

Initial Filings

Tennessee recorded 9,837 new entity filings (i.e. initial filings) in the fourth quarter of 2018, representing a robust 10.3 percent increase over the same quarter last year. This marks four consecutive quarters of year-over-year growth in excess of 10 percent, and 29 consecutive quarters of positive year-over-year

growth (Figure 2). All categories of new entity filings grew over last year. New filings of domestic limited liability corporations (LLCs) saw the strongest growth, expanding by 13.4 percent, followed by foreign entities (up 8.0 percent), and domestic for profit corporations (up 6.2 percent). Domestic firms accounted for 83.7 percent of all fourth quarter new entity filings, while foreign entities accounted for the remaining 16.3 percent.

Among the four largest Tennessee counties there were 5,426 new entity filings recorded during the fourth quarter of 2018, representing an 8.2 percent increase over the same quarter last year (Table 2). These four counties accounted for 55.2 percent of all new entity filings in the state. However, new filing growth in these four counties was slightly slower than the state average. Davidson County recorded the largest number of new filings, with 2,206, followed by Shelby with 1,811.

Figure 2: Growth in Quarterly Initial Filings

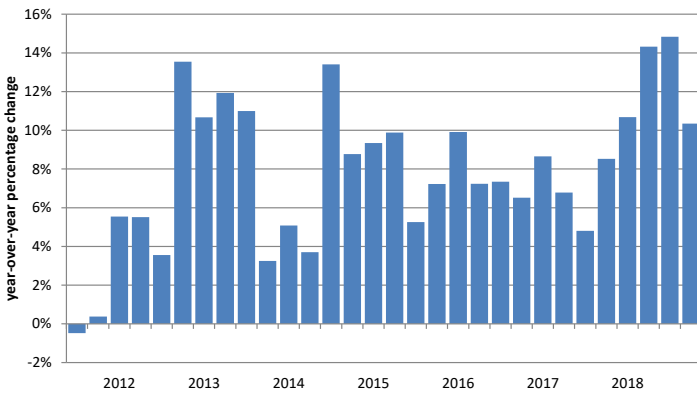
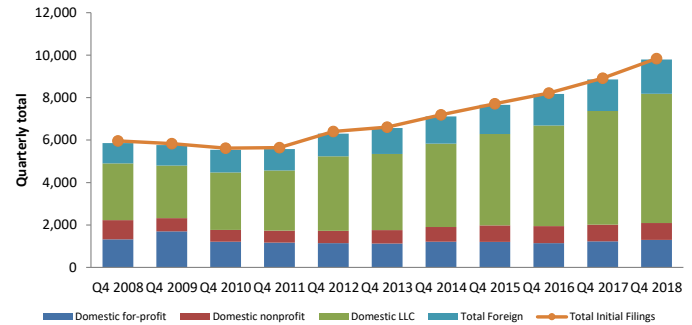


Figure 3: Initial Filings



Source for graphs: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2018 Q4)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,301	6.2%	5,477
Domestic Nonprofit Corporations	791	0.4%	3,564
Domestic LLC	6,139	13.4%	27,125
Foreign Entities - Total	1,606	8.0%	6,748
Total Business Entity New Filings	9,837	10.3%	42,914
Business Entity Annual Reports			
Domestic For-Profit Corporations	4,232	20.2%	54,545
Domestic Nonprofit Corporations	4,020	1.4%	39,978
Domestic LLC	2,709	9.9%	95,617
Foreign Entities - Total	2,530	3.6%	47,781
Total Business Entity Annual Reports	13,491	8.8%	237,921
Total Active Entities	277,904	5.9%	-
Other Business Filings			
Dissolutions	1,587	12.6%	28,311
Initial Trademark Registrations	176	-6.9%	809
Initial Assumed Name Registrations	1,281	0.6%	5,630

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2018Q4

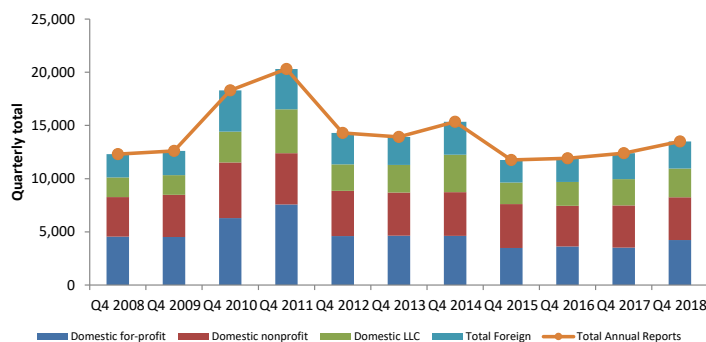
Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,206	9.4%
2	Shelby	1,811	12.2%
3	Knox	767	0.0%
4	Hamilton	642	4.2%
Total		5,426	8.2%

Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

There were 13,491 annual reports filed in the fourth quarter of 2018, representing an 8.8 percent increase over the same quarter last year. All categories of annual reports saw year-over-year growth, with domestic for-profit corporations registering the strongest gains (up 20.2 percent), followed by domestic LLCs (up 9.9 percent). Domestic firms accounted for 81.2 percent of all annual reports, and foreign entities accounted for the remaining 18.8 percent.

There were 1,587 dissolutions filed in the fourth quarter of 2018, representing a 12.6 percent drop compared to the same quarter last year. Compared to the previous quarter, dissolutions are down 93.4 percent, 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 are commonly highest in the third quarter each year.

Figure 4: Annual Reports

Source: Tennessee Business Filing Data.

Tennessee Economic Indicators

Positive economic growth continues in Tennessee. In December, nonfarm employment grew by 2.0 percent or 59,100 jobs compared to the same month last year. Employment in the manufacturing sector expanded by 1.7 percent or 6,100 jobs, and the mining, logging, and construction sector saw job growth of 3.7 percent, equivalent to an addition of 4,600 new jobs. Tennessee's unemployment rate held firm at 3.6 percent in December and is only 0.3 percentage points higher than the state's all-time low of 3.3 percent that was recorded in December of last year. Tennessee's unemployment rate is 0.3 percentage points below its national counterpart (Figure 5) and has now rested below 4 percent for 20 consecutive months.

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2018Q3]	320,118	4.4%	4.3%
Total tax revenue (millions of dollars) - monthly [2018-December]	1,333	-	-3.0%
Sales tax revenue (millions of dollars) - monthly [2018-December]	769	-	5.3%
Franchise & excise tax revenue (millions of dollars) - monthly [2018-December]	334	-	-16.1%
Total nonfarm employment (in thousands) - monthly [2018-December]	3,086	-0.2%	2.0%
Manufacturing employment (in thousands) - monthly [2018-December]	356	-0.2%	1.7%
Mining, logging, & construction employment (in thousands) - monthly [2018-December]	129	0.1%	3.7%

Unemployment rate (%)

December 2018		November 2018		December 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 Tennessee Department of Labor and Workforce Development.

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 December 2018, Tennessee tax revenues fell by 3.0 percent compared to the same month last year. Sales tax revenues were up 5.3 percent, while franchise and excise tax revenues fell by 16.1 percent. However, this large decline in franchise and excise tax revenue could in part be due to corporations choosing to make their quarterly payment in December 2017 rather than January 2018 because of the new tax law. For the fiscal year-to-date, (August 2018 to December 2018), Tennessee tax revenues have increased by 3.7 percent. In the third quarter of 2018, nominal personal income reached \$320.1 billion, representing a robust 4.4 percent increase compared to the previous quarter, and outpacing national income growth of 4.1 percent.

National Economic Indicators

The U.S. saw healthy economic growth in the third quarter of 2018. Inflation adjusted gross domestic product (real GDP) advanced

by 3.4 percent compared to the previous quarter, and personal income grew by 4.1 percent compared to the second quarter in 2018. More recent national data on real GDP and personal income are unavailable due to the partial government shutdown. Nonfarm employment increased by 1.8 percent compared to last December, representing a robust 312,000 new jobs compared to the previous month.

Light vehicle sales reached an annual rate of 17.4 million units in the fourth quarter of 2018, representing a 2.5 percent increase over the previous quarter but a 1.3 percent drop compared to the same quarter last year. Housing starts remained relatively flat compared to the previous quarter and have fallen by 1.9 percent compared to the fourth quarter of 2017. Retail gasoline prices have fallen to the \$2.46/gallon mark in December, the lowest price since July 2017 (Figure 6), due in part to an excess supply of domestic gasoline as well as falling oil prices.

Figure 5: Unemployment Rate

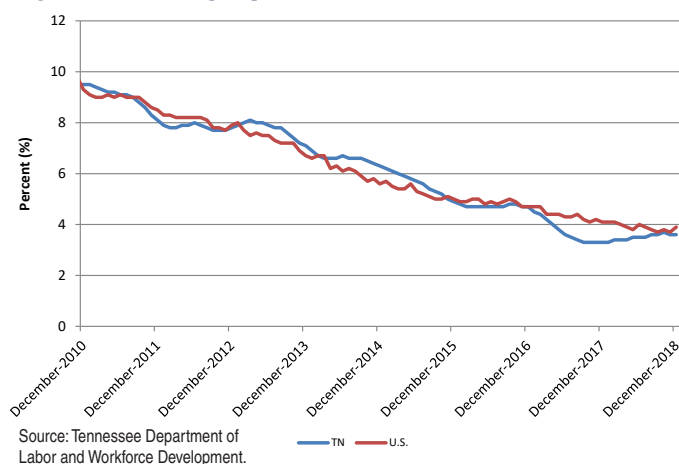


Figure 6: Retail Gasoline Prices - All Grades

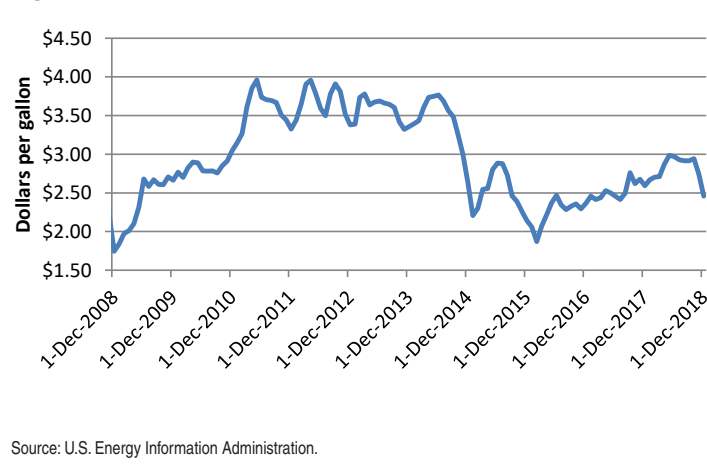


TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2018Q3]	17,645	4.1%	4.4%
Real GDP (2012 billions of dollars) [2018Q3]	18,665	3.4%	3.0%
Consumer price index (1982-84 = 1.00) [2018Q4]	2.53	0.4%	2.2%
Light vehicle sales (millions) [2018Q4]	17.36	2.5%	-1.3%
Housing starts (millions) [2018Q4]	1.24	0.1%	-1.9%
Federal funds rate (%) [2018Q4]	2.20	14.2%	82.5%
30-year fixed mortgage rate (%) [2018Q4]	4.78	4.6%	21.9%
S&P 500 stock index [2018Q4]	2,699	-5.3%	3.6%
Retail Gasoline Prices (dollars per gallon) - monthly [2018-December]	2.46	-10.2%	-5.3%
Total nonfarm employment (in thousands) - monthly [2018-December]	150,263	0.2%	1.8%

Unemployment rate (%)

December 2018		November 2018		December 2017	
Rate		Rate	Change	Rate	Change
3.9		3.7	0.2	4.1	-0.2

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.