

# THE TN QUARTERLY

## BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

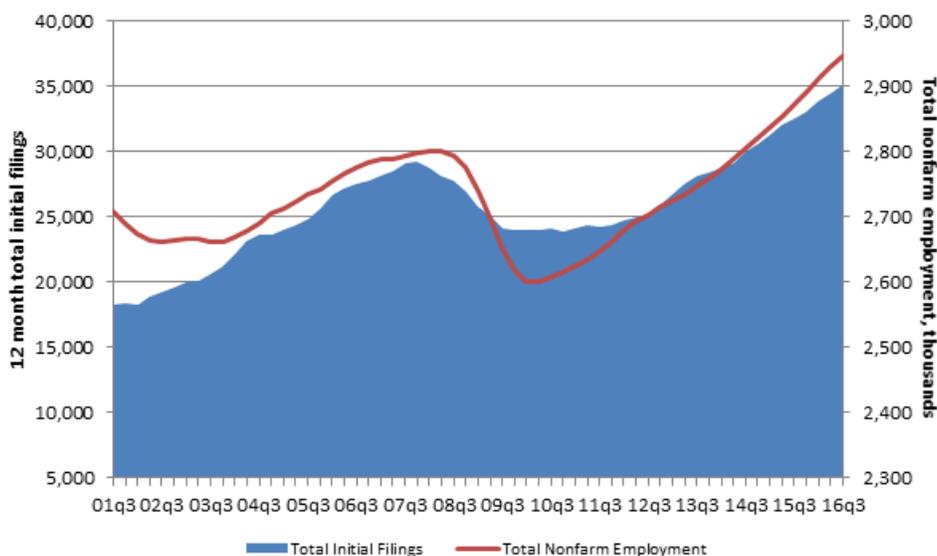
TENNESSEE SECRETARY OF STATE  
Tre Hargett

### Business Filings Overview

**New entity filings experienced positive year-over-year growth in the third quarter of 2016.** Compared to the third quarter of 2015, new entity filings grew while the number of annual reports shrunk. Over the same time period, initial trademark registrations and dissolutions increased while initial assumed name registrations fell. Over the last 12 months, Tennessee has recorded 35,075 new entity filings and 215,379 annual reports. As of October 1, 2016 there were 241,619 active entities in Tennessee, representing a 5.2 percent increase over last year's third quarter count.

**Growth in new business filings suggests continued improvements in the Tennessee economy.** The number of new business filings is a good indicator for future growth in nonfarm employment, personal income, and total tax revenues in Tennessee. New entity filings are up 7.3 percent compared to the third quarter of 2015, suggesting that economic growth in Tennessee should continue in the short run.

**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 2016 vs Q3 2016 ↑

Q4 2016 vs Q4 2015 ↑

Q1 2017 vs Q1 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 ↓

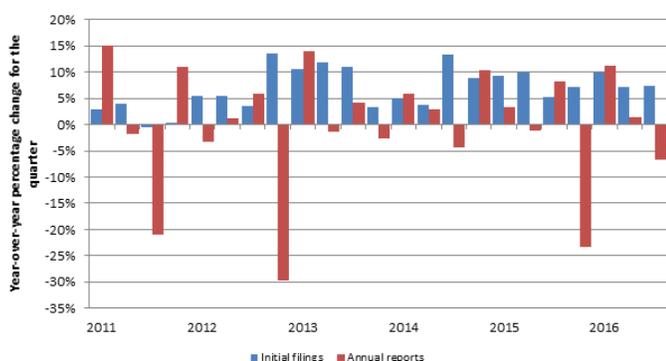
## New Entity Filings

In the third quarter of 2016 there were 8,898 new entity filings, representing a 7.3 percent increase over the same quarter last year. Initial filings have now shown positive year-over-year growth for 20 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). Domestic LLC filings, which account for more than half of all new entity filings, grew by 10.8 percent over the third quarter last year. This is well above the 10 year average, as third quarter domestic LLC filings averaged 5.3 percent year-over-

year growth from 2006 to 2015. Domestic firms accounted for 82.3 percent of all new entity filings in the third quarter, while foreign entities accounted for the remaining 17.7 percent.

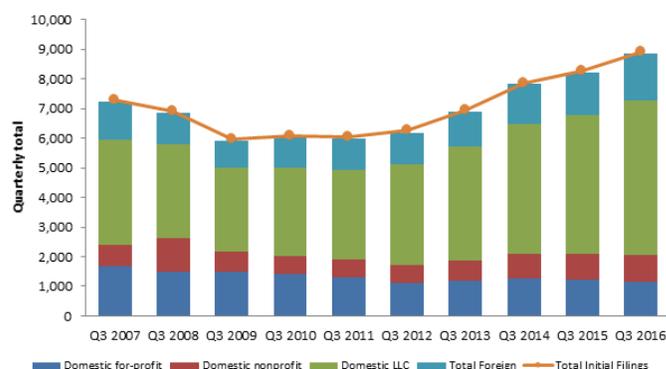
Among the four largest counties there were 5,116 new entity filings during the third quarter of 2016, representing a 45.9 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 57.5 percent of all new entity filings in Tennessee. Among the four counties, Davidson County registered the most new entity filings with 2,140, while Hamilton recorded the fewest with 648. However, all four counties continue to show very strong growth in new entity filings, as year-over-year growth was above 40 percent in each county.

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 Q3)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
<b>Business Entity Initial Filings</b>				
Domestic For-Profit Corporations	1,155	-5.0	-6.3	5,055
Domestic Nonprofit Corporations	915	4.6	4.5	3,509
Domestic LLC	5,254	-1.7	10.8	20,595
Foreign Entities - Total	1,574	6.0	9.5	5,916
<b>Total Business Entity New Filings</b>	<b>8,898</b>	<b>-0.2</b>	<b>7.3</b>	<b>35,075</b>
<b>Business Entity Annual Reports</b>				
Domestic For-Profit Corporations	5,015	-60.8	-17.4	54,084
Domestic Nonprofit Corporations	6,374	-29.6	7.1	38,419
Domestic LLC	6,073	-73.4	-7.0	79,893
Foreign Entities - Total	2,749	-58.8	-11.6	42,983
<b>Total Business Entity Annual Reports</b>	<b>20,211</b>	<b>-60.7</b>	<b>-6.7</b>	<b>215,379</b>
<b>Total Active Entities</b>	<b>241,619</b>	<b>-4.8</b>	<b>5.2</b>	<b>-</b>
<b>Other Business Filings</b>				
Dissolutions	23,474	1033.5	2.7	29,440
Initial Trademark Registrations	184	-14.8	7.0	829
Initial Assumed Name Registrations	1,133	-7.7	-12.6	4,554

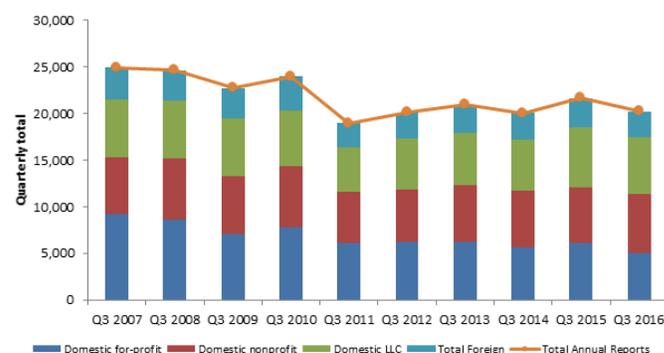
Source: Tennessee Business Filing Data.

**Table 2: Initial Filings among the Four Largest TN Counties, 2016Q3**

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,140	0.8	43.3
2	Shelby	1,594	4.6	48.8
3	Knox	734	2.4	40.9
4	Hamilton	648	10.2	53.6
Total		5,116	3.3	45.9

## Annual Reports and Dissolutions

Annual reports fell while dissolutions grew in the third quarter of 2016 as compared to the same quarter last year. In the third quarter there were 20,211 annual reports filed, representing a 6.7 percent reduction compared to the third quarter of 2015. Among the annual reports, 86.4 percent came from domestic firms and 13.6 percent were from foreign entities. Annual reports of domestic nonprofit corporations grew over the third quarter of 2015, while annual reports of domestic for-profit corporations, domestic LLCs, and foreign entities all fell. There were 23,474 dissolutions filed during the third quarter of 2016, representing a 2.7 percent increase over the third quarter of 2015. Compared to the previous quarter, dissolutions grew more than 10-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.

**Figure 4: Annual Reports**

Source: Tennessee Business Filing Data.

## Tennessee Economic Indicators

**Strong economic growth in Tennessee continues.** Nominal personal income reached \$286.8 billion in the second quarter of 2016, representing a 4.0 percent annual growth rate compared to the previous quarter (Table 3). In September 2016, Tennessee tax revenues grew by 6.4 percent compared to the same month last year. On a year-over-year basis franchise and excise tax revenues were up 12.2 percent and sales tax revenues advanced 4.5 percent.

In the Tennessee labor market, nonfarm employment expanded by 2.5 percent or 71,300 jobs compared to last September. Manufacturing employment is up 2.1 percent or 7,100 jobs, and mining, logging, and construction employment grew 5.7 percent or 6,700 jobs. In September, Tennessee registered a 4.6 percent unemployment rate, up 0.2 percentage points from the previous month, but still below the national rate of 4.9 percent (Figure 5).

**TABLE 3: TENNESSEE DATA**

	Current Period <sup>a</sup>	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2016Q2]	286,823	4.0	3.8
Total tax revenue (millions of dollars) - monthly [2016-September]	1,312	38.4	6.4
Sales tax revenue (millions of dollars) - monthly [2016-September]	692	-0.6	4.5
Franchise & excise tax revenue (millions of dollars) - monthly [2016-September]	405	862.5	12.2
Total nonfarm employment (in thousands) - monthly [2016-September]	2,980	0.5	2.5
Manufacturing employment (in thousands) - monthly [2016-September]	341	-0.1	2.1
Mining, logging, & construction employment (in thousands) - monthly [2016-September]	125	0.2	5.7

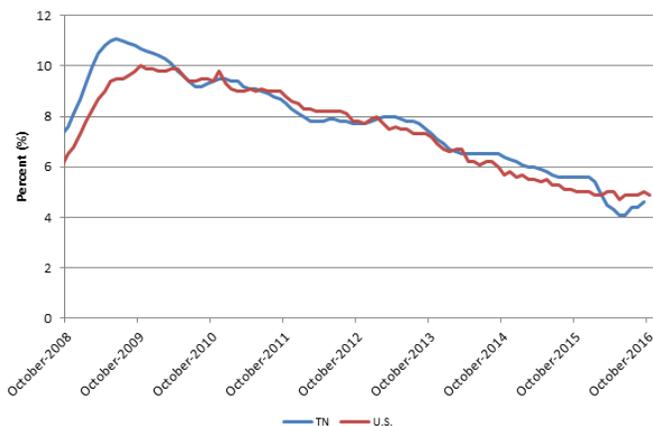
### Unemployment rate (%)

September 2016		August 2016		September 2015	
Rate		Rate	Change	Rate	Change
4.6		4.4	0.2	5.6	-1.0

<sup>a</sup>Periods 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.

**Figure 5: Unemployment Rate**



Source: Bureau of Labor Statistics.

### National Economic Indicators

**National economic growth accelerates in third quarter.**

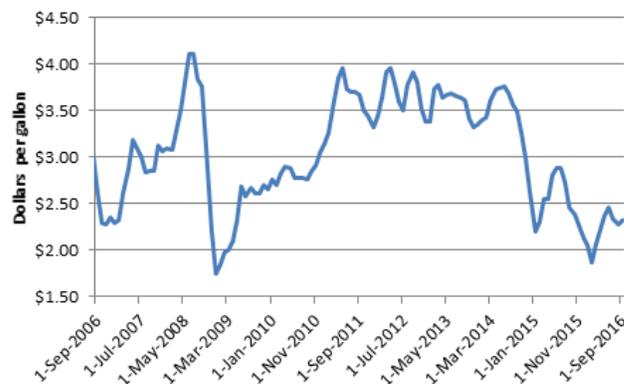
Inflation-adjusted gross domestic product (real GDP) advanced at an annual rate of 2.9 percent in the third quarter of 2016, up from the 1.4 percent growth rate registered in the second quarter, and was the largest growth rate recorded in two years. U.S. personal income grew at an annual rate of 3.9 percent compared to the previous quarter which was slightly slower than the rate of growth seen in Tennessee.

Nonfarm employment grew by 1.7 percent compared to last October, and 161,000 new jobs were created compared to the previous month. This was below the three month average of 176,000 new jobs created from August to October.

In the third quarter of 2016 there were roughly 1.2 million housing

starts, representing a 1.8 percent increase compared to the same quarter last year. Light vehicle sales totaled 17.5 million units, which was 1.4 percent below third quarter sales from 2015 but represents a 2.2 percent increase compared to the previous quarter. Retail gasoline prices seem to have leveled out, ranging from \$2.22/gallon to \$2.47/gallon since April, but are well below the mid-\$3/gallon prices that prevailed in 2014 (Figure 6). The Brent crude oil price sits at \$50.0/barrel as of October 28, 2016, and is well above the 2016 low of \$27.10/barrel set in January.

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



Source: U.S. Energy Information Administration.

**TABLE 4: NATIONAL DATA**

	Current Period <sup>a</sup>	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2016Q2]	15,893	3.9	3.2
Real GDP (2009 billions of dollars) [2016Q3]	16,702	2.9	1.5
Consumer price index (1982-84 = 1.00) [2016Q3]	2.40	0.4	1.2
Light vehicle sales (millions) [2016Q3]	17.45	2.2	-1.4
Housing starts (millions) [2016Q3]	1.18	1.5	1.8
Federal funds rate (%) [2016Q3]	0.40	6.4	190.5
30-year fixed mortgage rate (%) [2016Q3]	3.45	-4.0	-12.7
S&P 500 stock index [2016Q3]	2,161	4.2	6.7
Retail Gasoline Prices (dollars per gallon) - monthly [2016-September]	2.33	1.9	-5.5
Total nonfarm employment (in thousands) - monthly [2016-October]	144,952	0.1	1.7

**Unemployment rate (%)**

October 2016		September 2016		October 2015	
Rate		Rate	Change	Rate	Change
4.9		5.0	-0.1	5.0	-0.1

<sup>a</sup>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, © 2016 IHS, U.S. Energy Information Administration, *Weekly Retail Gasoline and Diesel Prices*, Bureau of Labor Statistics.