

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
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Business Filings Overview

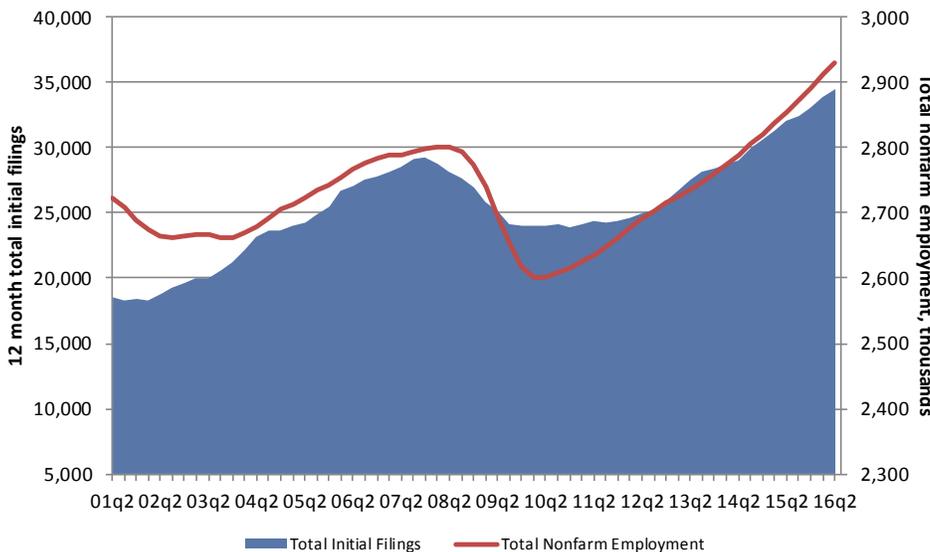
New entity filings and annual reports saw positive year-over-year growth during the second quarter of 2016. At the same time, initial assumed name registrations grew while trademark registrations and dissolutions shrunk. Over the last 12 months, Tennessee has recorded 34,466 new entity filings and 216,828 annual reports. As of July 1, 2016 there were 253,817 active entities in Tennessee, representing a 3.0 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 7.2 percent compared to the second quarter of 2015, suggesting that broader economic growth should continue in the short run.

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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

Q3 2016 vs Q2 2016 ↑

Q3 2016 vs Q3 2015 ↑

Q4 2016 vs Q4 2015 ↑

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 ↓

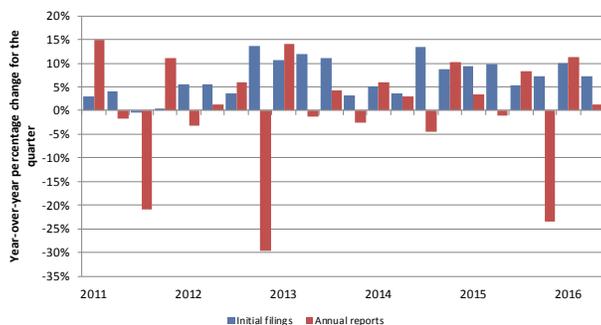
Initial Filings

Tennessee recorded 8,919 new entity filings during the second quarter of 2016, representing a 7.2 percent increase over the same quarter last year. Initial filings have now experienced positive year-over-year growth for 19 consecutive quarters (Figure 2). Initial filings of domestic nonprofit corporations and limited liability corporations (LLCs) grew over last year while new filings of domestic for-profit corporations and foreign entities fell (Table 1). New filings of domestic nonprofit corporations exhibited the strongest growth, increasing by 15.4 percent compared to the second quarter of 2015. Domestic LLC filings, which account for more than half of all new entity filings, grew by 12.7 percent. Domestic firms accounted for 83.4 percent of all new entity filings in the second quarter, while foreign entities accounted

for the remaining 16.6 percent. Compared to the previous quarter, new entity filings were down 6.6 percent, but this was largely due to seasonal variation. Since 2003, second quarter filings have consistently been lower than those from the previous quarter.

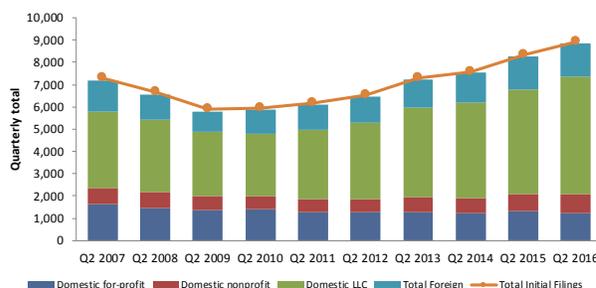
Among the four largest counties there were 4,953 new entity filings during the second quarter of 2016, representing a 39.6 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 55.5 percent of all new entity filings in Tennessee. Among the four counties, Davidson County saw the most new entity filings with 2,124 and the highest growth rate, while Hamilton saw the fewest with 588. However, all four counties saw very strong growth in new entity filings compared to the second quarter of 2015.

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 Q2)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,216	-18.1	-7.2	5,133
Domestic Nonprofit Corporations	875	-6.9	15.4	3,470
Domestic LLC	5,343	-5.2	12.7	20,083
Foreign Entities - Total	1,485	0.1	-1.6	5,780
Total Business Entity New Filings	8,919	-6.6	7.2	34,466
Business Entity Annual Reports				
Domestic For-Profit Corporations	12,784	-61.0	-5.2	55,137
Domestic Nonprofit Corporations	9,053	-52.0	0.4	37,994
Domestic LLC	22,855	-53.3	5.0	80,353
Foreign Entities - Total	6,677	-78.8	4.0	43,344
Total Business Entity Annual Reports	51,369	-61.1	1.4	216,828
Total Active Entities	253,817	3.0	5.2	-
Other Business Filings				
Dissolutions	2,071	-13.0	-52.9	28,821
Initial Trademark Registrations	216	-6.5	-8.1	817
Initial Assumed Name Registrations	1,227	2.4	10.7	4,718

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,124	-6.2	44.4
2	Shelby	1,524	-11.2	39.1
3	Knox	717	-5.2	32.3
4	Hamilton	588	-1.2	34.2
Total		4,953	-7.1	39.6

Source: Tennessee Business Filing Data.

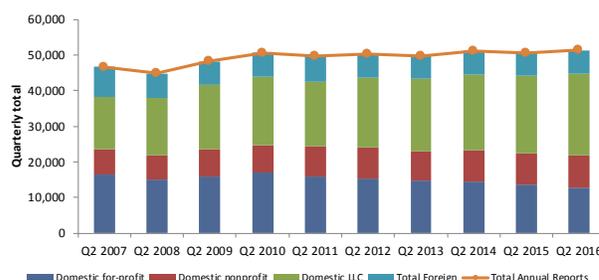
Annual Reports and Dissolutions

Annual reports grew and dissolutions fell in the second quarter of 2016 as compared to the same quarter last year. In the second quarter there were 51,369 annual reports filed, representing a 1.4 percent increase compared to the second quarter of 2015. Among the annual reports, 87.0 percent came from domestic firms and 13.0 percent were from foreign entities. Domestic LLCs saw the largest year-over-year gains, increasing by 5.0 percent, followed by foreign entities (4.0 percent), and domestic nonprofit corporations (0.4 percent), while annual reports for domestic for-profit corporations fell by 5.2 percent. There were 2,071 dissolutions filed during the second quarter of 2016, representing a 52.9 percent drop compared to the second quarter of 2015.

Tennessee Economic Indicators

Tennessee continues to enjoy strong economic growth. Nominal personal income reached \$286.9 billion in the first quarter of 2016, representing a 3.8 percent annual growth rate compared to the previous quarter. In June 2016, Tennessee tax revenues were up 6.2 percent on a year-over-year basis, and franchise and excise tax

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

collections were 11.8 percent higher than the June 2015 tally. For the fiscal year-to-date (August 2015 to June 2016), Tennessee tax revenues are up a robust 6.3 percent, largely due to a 7.2 percent increase in sales tax revenues and 5.1 percent growth in franchise and excise tax collections.

In the Tennessee labor market, June nonfarm employment grew by 2.3 percent or 66,800 jobs compared to last June. Manufacturing employment increased by 3.4 percent or 11,400 jobs, and mining, logging, and construction employment grew 3.3 percent or 3,800 jobs. Tennessee’s monthly unemployment rate held steady in June, and has now sat at a strikingly low 4.1 percent for two consecutive months. Tennessee’s unemployment rate is well below the national rate of 4.9 percent (see Figure 5). This is also the lowest monthly unemployment rate that the state has recorded since April 2001.

TABLE 3: TENNESSEE DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2016Q1]	286,895	3.8	5.7
Total tax revenue (millions of dollars) - monthly [2016-June]	1,345	32.6	6.2
Sales tax revenue (millions of dollars) - monthly [2016-June]	686	0.1	1.3
Franchise & excise tax revenue (millions of dollars) - monthly [2016-June]	398	637.6	11.8
Total nonfarm employment (in thousands) - monthly [2016-June]	2,953	0.4	2.3
Manufacturing employment (in thousands) - monthly [2016-June]	344	0.2	3.4
Mining, logging, and construction employment (in thousands) - monthly [2016-June]	121	1.2	3.2

Unemployment Rate (%)

June 2016		May 2016		June 2015	
Rate		Rate	Change	Rate	Change
4.1		4.1	0.0	5.7	-1.6

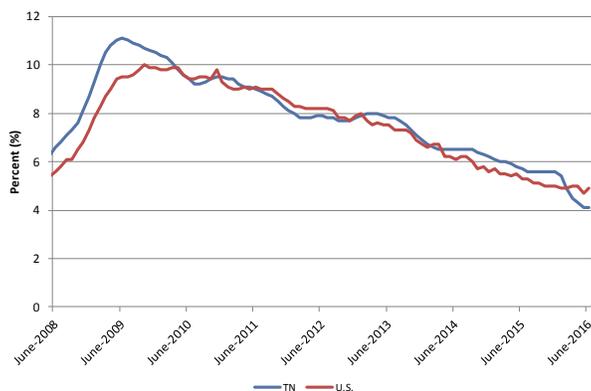
^aPeriods are quarters unless otherwise noted.

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.

National Economic Indicators

The U.S. economy sees slow but steady growth. Inflation-adjusted gross domestic product (real GDP) grew at an annual rate of 1.2 percent in the second quarter of 2016 and is also up 1.2 percent compared to the same quarter last year. U.S. personal income rose by an annual rate of 3.7 percent compared to the previous quarter which was slightly slower than the rate of growth seen in Tennessee.

Figure 5: Unemployment Rate



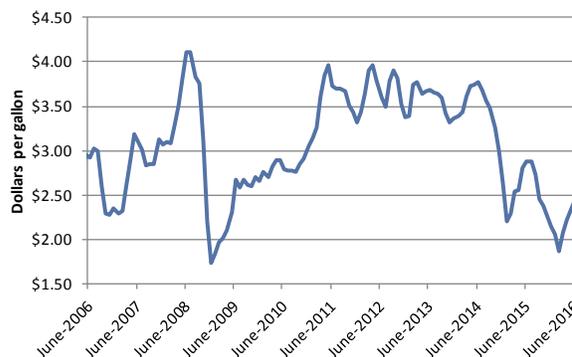
Source: Bureau of Labor Statistics.

Nonfarm employment expanded by 1.7 percent compared to last June, and grew by a robust 287,000 jobs compared to the previous month. This was a welcoming sight, considering the meager pace of job creation the month prior – only 11,000 new jobs were created in May, the lowest since September 2010.

In the second quarter of 2016, housing starts grew by 1.1 percent

compared to the same quarter last year, and were up 1.6 percent over the previous quarter. Light vehicle sales remained relatively flat, growing by only 0.1 percent compared to last year. Retail gasoline prices remain low relative to recent history, but grew by 4.0 percent between May and June. However, at \$2.47/gallon, gasoline prices are still 14.5 percent lower than they were a year ago (see Figure 6).

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

TABLE 4: NATIONAL DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2016Q1]	15,743	3.7	4.4
Real GDP (2009 billions of dollars) [2016Q2]	16,575	1.2	1.2
Consumer price index (1982-84 = 1.00) [2016Q2]	2.39	0.6	1.1
Light vehicle sales (millions) [2016Q2]	17.11	-0.1	0.1
Housing starts (millions) [2016Q2]	1.17	1.6	1.1
Federal funds rate (%) [2016Q2]	0.37	3.1	200.9
30-year fixed mortgage rate (%) [2016Q2]	3.59	-4.0	-6.2
S&P 500 stock index [2016Q2]	2,075	6.5	-1.3
Retail Gasoline Prices (dollars per gallon) - monthly [2016-June]	2.47	4.0	-14.5
Total nonfarm employment (in thousands) - monthly [2016-June]	144,175	0.2	1.7

Unemployment Rate (%)

June 2016		May 2016		June 2015	
Rate		Rate	Change	Rate	Change
4.9		4.7	0.2	5.3	-0.4

^aPeriods 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.