

Business Filings Overview

New entity filings experienced year-over-year growth in the second quarter of 2017.

During the same period, annual reports, dissolutions, and initial assumed name registrations all fell, while initial trademark registrations grew. Over the last 12 months, Tennessee has recorded 37,009 new entity filings and 223,540 annual reports. As of July 1, 2017, there were 267,143 active entities in Tennessee, representing a 3 percent increase compared to the previous quarter's count.

Growth in new entity filings points toward sustained economic growth for the state.

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 grown by 6.8 percent compared to the second quarter of 2016, suggesting that broader economic growth should

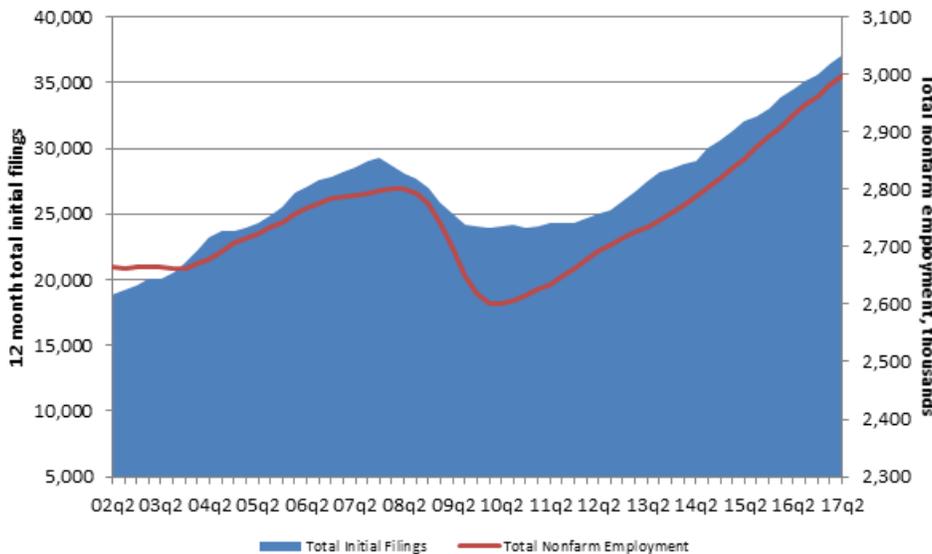
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Figure 1: Tennessee Employment and New Entity Filings



Source: Tennessee Business Filing Data and Bureau of Labor Statistics.

EMPLOYMENT FORECASTS

Q3 2017 vs Q2 2017 ↑

Q3 2017 vs Q3 2016 ↑

Q4 2017 vs Q4 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 ↓

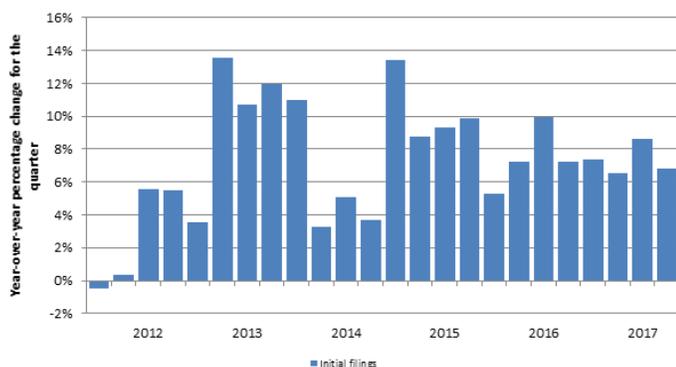
continue into the near future.

Initial Filings

Tennessee recorded 9,524 new entity filings (i.e. initial filings) during the second quarter of 2017, representing a 6.8 percent increase compared to the same quarter last year.

Initial filings have now shown positive year-over-year growth for 23 consecutive quarters (Figure 2). New entity filings of domestic for-profit corporations, limited liability corporations (LLCs), and foreign entities all grew over last year, while new filings of domestic nonprofit corporations shrunk. New filings from foreign entities saw the strongest growth, increasing by 10 percent compared to the second quarter of 2016. Domestic firms accounted for 82.8 percent of all new filings in the second quarter of 2017, while foreign entities accounted for the remaining 17.2 percent. Compared to the previous quarter's count, new entity fil-

Figure 2: Growth in Quarterly Initial Filings



Source: Tennessee Business Filing Data.

ings shrunk by 8.2 percent, but this was largely driven by seasonal variation. Since 2003, second quarter filings have consistently been smaller than first quarter filings.

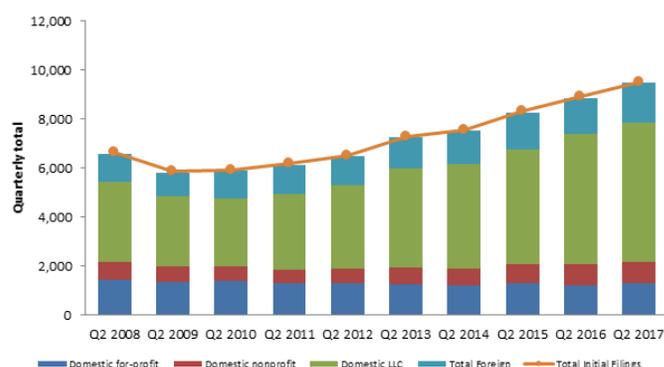
Among the four largest counties there were 5,566 new entity filings during the second quarter of 2017, representing a 12.4 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 58.4 percent of all new filings in the state. Among the four counties, Davidson County had the most new filings with 2,255, followed by Shelby County with 1,798.

Annual Reports and Dissolutions

Annual reports and dissolutions both fell in the second quarter of 2017 as compared to the same quarter last year.

There were 47,200 annual reports filed in the second quarter,

Figure 3: Initial Filings



Source: Tennessee Business Filing Data.

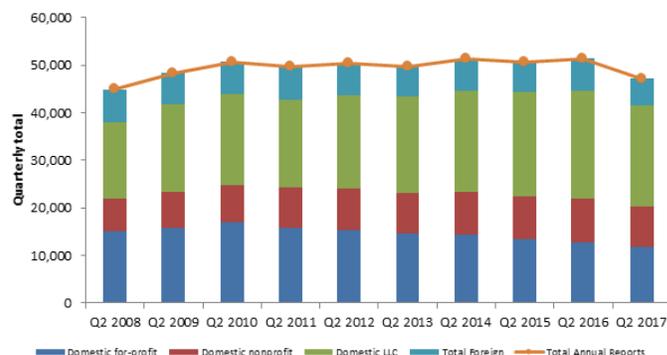
TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2017 Q2)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,311	-4.4%	7.8%	4,984
Domestic Nonprofit Corporations	855	-4.8%	-2.3%	3,467
Domestic LLC	5,724	-11.7%	7.1%	22,245
Foreign Entities - Total	1,634	0.7%	10.0%	6,313
Total Business Entity New Filings	9,524	-8.2%	6.8%	37,009
Business Entity Annual Reports				
Domestic For-Profit Corporations	11,842	-64.4%	-7.4%	53,786
Domestic Nonprofit Corporations	8,449	-58.1%	-6.7%	38,837
Domestic LLC	21,360	-62.0%	-6.5%	85,847
Foreign Entities - Total	5,549	-83.9%	-16.9%	45,070
Total Business Entity Annual Reports	47,200	-67.3%	-8.1%	223,540
Total Active Entities	267,143	3.0%	5.3%	-
Other Business Filings				
Dissolutions	2,066	-14.0%	-0.2%	29,448
Initial Trademark Registrations	225	-3.0%	4.2%	763
Initial Assumed Name Registrations	1,199	-19.2%	-2.3%	4,790

Table 2: Initial Filings among the Four Largest TN Counties, 2017Q2

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,255	-5.8%	6.2%
2	Shelby	1,798	-7.7%	18.0%
3	Knox	819	-8.4%	14.2%
4	Hamilton	694	-11.8%	18.0%
Total		5,566	-7.6%	12.4%

Source: Tennessee Business Filing Data.

Figure 4: Annual Reports

Source: Tennessee Business Filing Data.

representing an 8.1 percent drop compared to the second quarter of 2016. Domestic firms accounted for 88.2 percent of all annual reports and 11.8 percent came from foreign entities. Annual reports of foreign entities saw the largest year-over-year dip, falling by 16.9 percent, followed by domestic for-profit corporations which fell by 7.4 percent. There were 2,066 dissolutions filed in the second quarter of 2017, representing a slight drop compared to the same quarter last year.

Tennessee Economic Indicators

Economic data shows signs of continued growth in Tennessee. In June 2017, Tennessee tax revenues were up 5.4 percent compared to June of last year. Sales tax revenues increased by 6.7 percent, and franchise and excise tax revenues were up 14.6 percent. For the fiscal year-to-date (August 2016 to June 2017), Tennessee tax revenues have grown by 4.2 percent. Nominal personal income also increased by 4.8 percent over the

previous quarter and 4.4 percent over the same quarter last year.

In the Tennessee labor market, nonfarm employment grew by 2 percent, or 59.3 thousand jobs, compared to last June. Jobs in the mining, logging, and construction sector expanded by a robust 6.4 percent or 7.6 thousand jobs, and manufacturing employment was up 0.8 percent, or 2.9 thousand jobs compared to June of last year. The number of unemployed Tennesseans fell by a dramatic 22 percent compared to last June, while the number of employed people rose by 1.9 percent. As a result, the state unemployment rate fell to 3.6 percent, the lowest monthly unemployment rate recorded in the Bureau of Labor Statistics (BLS) database, which dates back to 1976. Tennessee's unemployment rate is now 0.7 percentage points lower than the cur-

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2017Q1]	296,552	4.8%	4.4%
Total tax revenue (millions of dollars) - monthly [2017-June]	1,418	33.7%	5.4%
Sales tax revenue (millions of dollars) - monthly [2017-June]	732	0.3%	6.7%
Franchise & excise tax revenue (millions of dollars) - monthly [2017-June]	456	775.2%	14.6%
Total nonfarm employment (in thousands) - monthly [2017-June]	3,018	0.2%	2.0%
Manufacturing employment (in thousands) - monthly [2017-June]	347	-0.6%	0.8%
Mining, logging, & construction employment (in thousands) - monthly [2017-June]	126	0.6%	6.4%

Unemployment rate (%)

June 2017		May 2017		June 2016	
Rate		Rate	Change	Rate	Change
3.6		4.0	-0.4	4.7	-1.1

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.

rent national rate (see Figure 5).

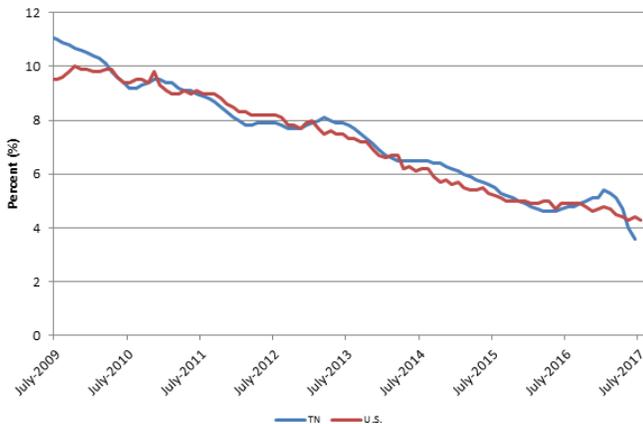
National Economic Indicators

The national economy saw steady growth in the second quarter of 2017. Inflation-adjusted gross domestic product (real GDP) rebounded in the second quarter, advancing at an annual rate of 2.6 percent compared to the previous quarter. This was

compared to the previous quarter, while personal income grew by 3 percent.

Nonfarm employment grew by 1.5 percent compared to last July, representing an addition of 2.2 million jobs over the last 12 months and 209 thousand new jobs compared to the previous month. Retail gasoline prices, currently at \$2.41/gallon, fell by 1.9 percent compared to the previous month. However, gas

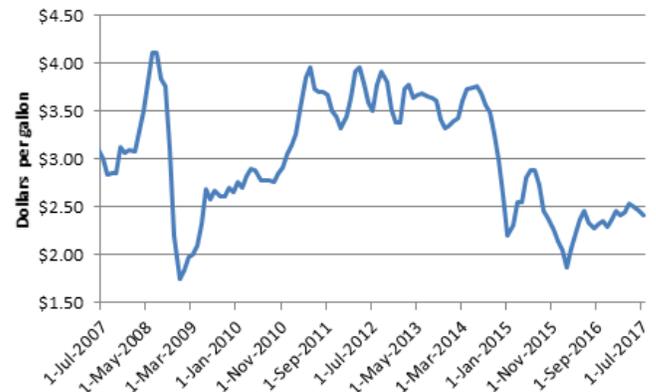
Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

a welcoming sight after the sluggish 1.2 percent growth rate registered in the first quarter. However, national housing starts fell by 7.8 percent and light vehicle sales were down 3.2 percent

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

prices have now sat steadily above the \$2.40/gallon mark for seven consecutive months.

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2017Q2]	16,362	3.0%	2.8%
Real GDP (2009 billions of dollars) [2017Q2]	17,011	2.6%	2.1%
Consumer price index (1982-84 = 1.00) [2017Q2]	2.44	-0.1%	1.9%
Light vehicle sales (millions) [2017Q2]	16.60	-3.2%	-2.8%
Housing starts (millions) [2017Q2]	1.14	-7.8%	-1.6%
Federal funds rate (%) [2017Q2]	0.95	35.9%	154.8%
30-year fixed mortgage rate (%) [2017Q2]	3.99	-4.4%	10.9%
S&P 500 stock index [2017Q2]	2,396	3.1%	15.5%
Retail Gasoline Prices (dollars per gallon) - monthly [2017-July]	2.41	-1.9%	2.9%
Total nonfarm employment (in thousands) - monthly [2017-July]	146,615	0.1%	1.5%

Unemployment rate (%)

July 2017		June 2017		July 2016	
Rate		Rate	Change	Rate	Change
4.3		4.4	-0.1	4.9	-0.6

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.