

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
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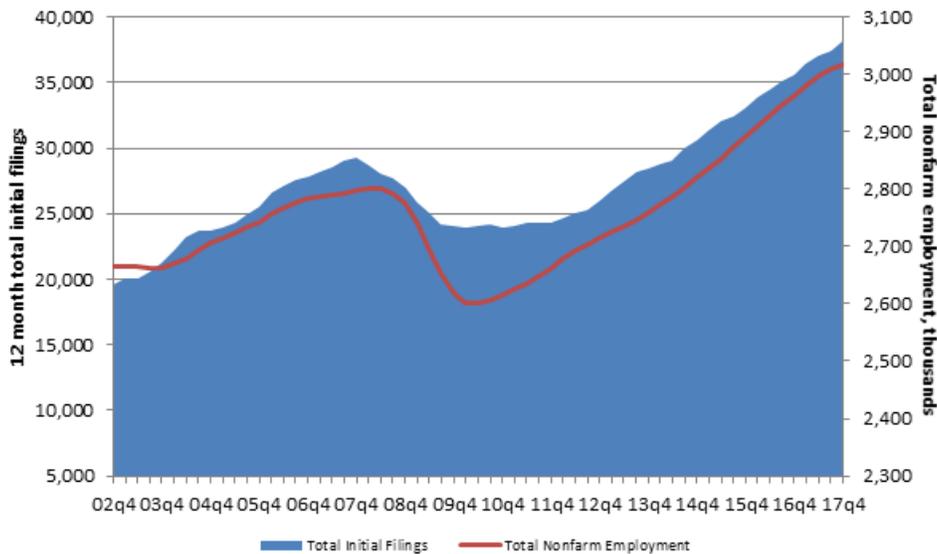
Business Filings Overview

Both new entity filings and annual reports saw year-over-year gains in the fourth quarter of 2017. During this period, dissolutions shrunk while both initial trademark registrations and initial assumed name registrations grew. Over the last 12 months, Tennessee has recorded 38,137 new entity filings and 225,454 annual reports. As of January 1, 2018, there were 262,462 active entities in the state, representing a 5.1 percent increase over the same time last year. Compared to the third quarter of 2017, new entity filings were down 4.4 percent in the fourth quarter and the number of annual reports fell by 42.7 percent, but this is a typical seasonal pattern. Since 2004, both new entity filings and annual reports in the third quarter have exceeded fourth quarter filings in 13 out of 14 years. For this reason we largely focus on year-over-year growth rates.

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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 2018 vs Q4 2017 ↑

Q1 2018 vs Q1 2017 ↑

Q2 2018 vs Q2 2017 ↑

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 ↓

Growth in new entity 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 8.5 percent compared to the fourth quarter of 2016, suggesting continued economic growth in the near term.

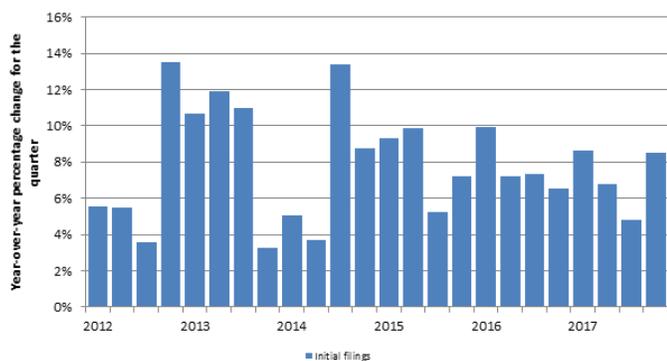
Initial Filings

There were 8,915 new entity filings (i.e. initial filings) recorded during the fourth quarter of 2017, representing an 8.5 percent increase over the same quarter last year. Initial filings have now seen positive year-over-year growth for 25 consecutive quarters (Figure 2). New entity filings of domestic limited liability corporations (LLCs), for-profit corporations, and foreign entities all

grew, while new filings of domestic nonprofit corporations shrunk. New filings of domestic LLCs, which account for more than half of all new entity filings, exhibited the strongest growth, advancing 13.1 percent compared to the fourth quarter of 2016. Domestic firms accounted for 83.3 percent of all new entity filings in the fourth quarter, while foreign entities accounted for the remaining 16.7 percent.

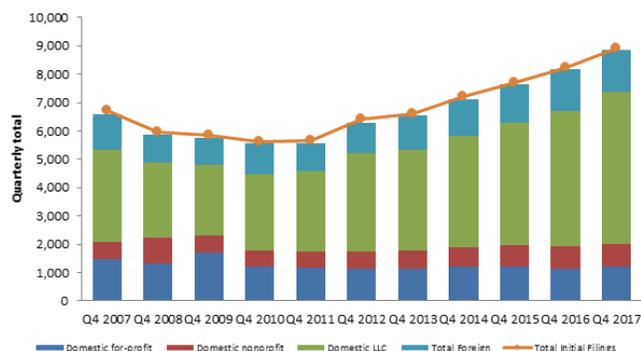
Among the four largest Tennessee counties there were 5,013 new entity filings during the fourth quarter of 2017, representing a 12.0 percent increase over the same quarter last year (Table 2). These four counties accounted for 56.2 percent of all new entity filings in the state. Among the four counties, Davidson recorded the most business filings, with 2,016, followed by Shelby County, with 1,614.

Figure 2: Growth in Quarterly Initial Filings



Source: Tennessee Business Filing Data.

Figure 3: Initial Filings



Source: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2017 Q4)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,225	-1.7%	6.8%	5,153
Domestic Nonprofit Corporations	788	-3.4%	-1.4%	3,357
Domestic LLC	5,415	-8.3%	13.1%	23,525
Foreign Entities - Total	1,487	9.4%	0.3%	6,102
Total Business Entity New Filings	8,915	-4.4%	8.5%	38,137
Business Entity Annual Reports				
Domestic For-Profit Corporations	3,521	-30.7%	-2.8%	53,751
Domestic Nonprofit Corporations	3,965	-38.7%	3.5%	39,064
Domestic LLC	2,466	-64.8%	10.1%	86,997
Foreign Entities - Total	2,443	-21.3%	9.6%	45,642
Total Business Entity Annual Reports	12,395	-42.7%	4.0%	225,454
Total Active Entities	262,462	3.5%	5.1%	-
Other Business Filings				
Dissolutions	1,409	-94.4%	-6.5%	31,118
Initial Trademark Registrations	189	-25.9%	54.9%	901
Initial Assumed Name Registrations	1,273	-5.8%	30.7%	5,307

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2017Q4

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,016	-9.2%	11.8%
2	Shelby	1,614	-13.6%	11.0%
3	Knox	767	-3.0%	7.7%
4	Hamilton	616	-3.0%	21.3%
Total		5,013	-9.1%	12.0%

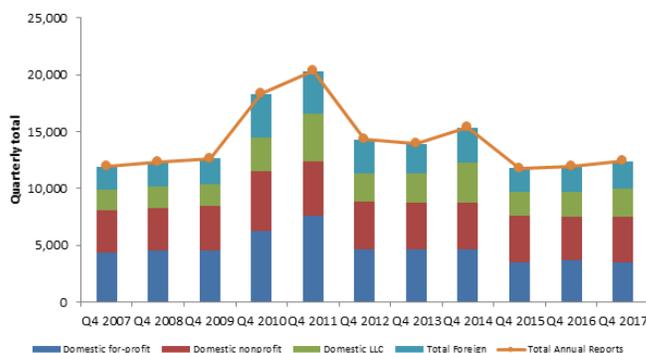
Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

Annual reports saw year-over-year growth while dissolutions shrunk in the fourth quarter of 2017. There were 12,395 annual reports filed during in the fourth quarter of 2017, representing a 4.0 percent increase over the same quarter last year. Domestic firms accounted for 80.3 percent of all annual reports, and 19.7 percent came from foreign entities. Annual reports for domestic LLC's saw the largest uptick, increasing by 10.1 percent compared to the same quarter last year, followed by foreign entities (9.6 percent), and domestic nonprofit corporations (3.5 percent).

There were 1,409 dissolutions filed during the fourth quarter of 2017, representing a 6.5 percent decrease compared to the fourth quarter of 2016. Compared to the third quarter, dissolutions fell by 94.4 percent. 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 generally highest in the third quarter each year.

Figure 4: Annual Reports



Source: Tennessee Business Filing Data.

Tennessee Economic Indicators

Tennessee enjoys continued economic growth. In December, nonfarm employment grew by 1.0 percent, or 28,700 jobs compared to last December. Jobs in the in the mining, logging, and construction sector grew by 3.2 percent, or 3,900 jobs, and manufacturing employment expanded by 0.4 percent, or 1,500 jobs. Tennessee's December unemployment rate remained unchanged compared to the previous month and sits at a historically low 3.3 percent. The state unemployment rate is well below its national counterpart which is resting at 4.1 percent (Figure 5).

In January 2018, Tennessee tax revenues were down 3.2 percent on a year-over-year basis. Sales tax revenues were up 1.0 percent

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2017Q3]	294,688	2.3%	2.3%
Total tax revenue (millions of dollars) - monthly [2018-January]	1,350	-1.8%	-3.2%
Sales tax revenue (millions of dollars) - monthly [2018-January]	914	25.2%	1.0%
Franchise & excise tax revenue (millions of dollars) - monthly [2018-January]	180	-54.9%	-35.3%
Total nonfarm employment (in thousands) - monthly [2017-December]	3,023	-0.1%	1.0%
Manufacturing employment (in thousands) - monthly [2017-December]	346	-0.3%	0.4%
Mining, logging, & construction employment (in thousands) - monthly [2017-December]	126	-0.6%	3.2%

Unemployment rate (%)

December 2017		November 2017		December 2016	
Rate		Rate	Change	Rate	Change
3.3		3.3	0.0	4.7	-1.4

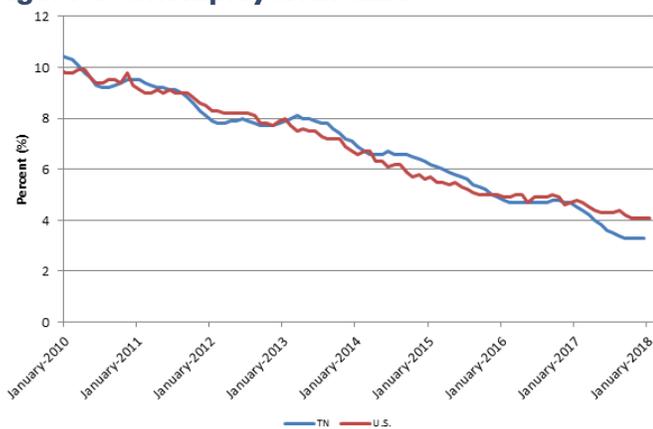
Sources in order as metrics appear and dates in parenthesis indicate most recent data available at time of publication: Bureau of Economic Analysis, Tennessee Department of Revenue, and Bureau of Labor Statistics.

compared to last January, while franchise and excise tax revenues fell by 35.3 percent. However, the decline occurred because large one-time payments were included in last January's collections. Factoring the one-time payments out, franchise and excise tax collections were up 6.5 percent. For the fiscal year to date (August 2017 to January 2018), Tennessee tax revenues are up 3.8 percent. Nominal personal income grew to \$294.7 billion in the third quarter of 2017, a 2.3 percent increase over the previous quarter.

National Economic Indicators

The national economy enjoyed solid growth in the fourth quarter of 2017. Inflation-adjusted gross domestic product increased at an annual rate of 2.6 percent compared to the previous quarter, and is up 2.5 percent compared to the fourth quarter of 2016. Personal income advanced at an annual rate of 4.4 percent

Figure 5: Unemployment Rate

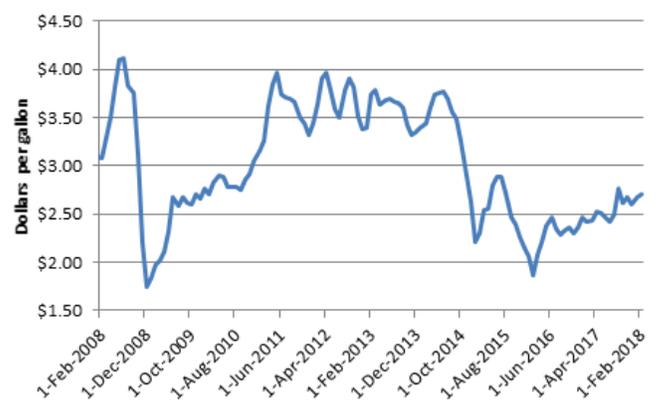


Source: Bureau of Labor Statistics.

compared to the third quarter, and has grown by 3.8 percent compared to the same quarter last year.

Nonfarm employment grew by 1.5 percent compared to last January, and the national economy saw an increase of 200,000 new jobs compared to the month prior. Light vehicle sales grew to an annual rate of 17.7 million units in the fourth quarter of 2017, a 3.9 percent increase over the previous quarter but a 0.5 percent drop-off compared to the elevated sales seen during the fourth quarter of 2016. Housing starts were up 6.7 percent over the previous quarter and grew by 0.2 percent compared to the fourth quarter of last year. Retail gasoline prices, currently at \$2.71/gallon, are up 1.3 percent compared to the previous month and are 12.0 percent higher than the prevailing price in February 2017. The current retail gas price is above the 12-month average price of \$2.57/gallon, but well below the \$3.00-\$3.75/gallon price range that we saw in 2014.

Figure 6: Retail Gasoline Prices – All Grades



Source: U.S. Energy Information Administration.

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2017Q4]	16,631	4.4%	3.8%
Real GDP (2009 billions of dollars) [2017Q4]	17,273	2.6%	2.5%
Consumer price index (1982-84 = 1.00) [2017Q4]	2.47	0.9%	2.1%
Light vehicle sales (millions) [2017Q4]	17.72	3.9%	-0.5%
Housing starts (millions) [2017Q4]	1.25	6.7%	0.2%
Federal funds rate (%) [2017Q4]	1.20	4.3%	167.4%
30-year fixed mortgage rate (%) [2017Q4]	3.92	0.8%	2.8%
S&P 500 stock index [2017Q4]	2,605	5.6%	19.2%
Retail Gasoline Prices (dollars per gallon) - monthly [2017-February]	2.71	1.3%	12.0%
Total nonfarm employment (in thousands) - monthly [2018-January]	147,810	0.1%	1.5%

Unemployment rate (%)

January 2018		December 2017		January 2017	
Rate		Rate	Change	Rate	Change
4.1		4.1	0.0	4.8	-0.7

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.