

# THE TN QUARTERLY

## BUSINESS AND ECONOMIC INDICATORS

TENNESSEE SECRETARY OF STATE  
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**UT** Center for Business & Economic Research

### Business Filings Overview

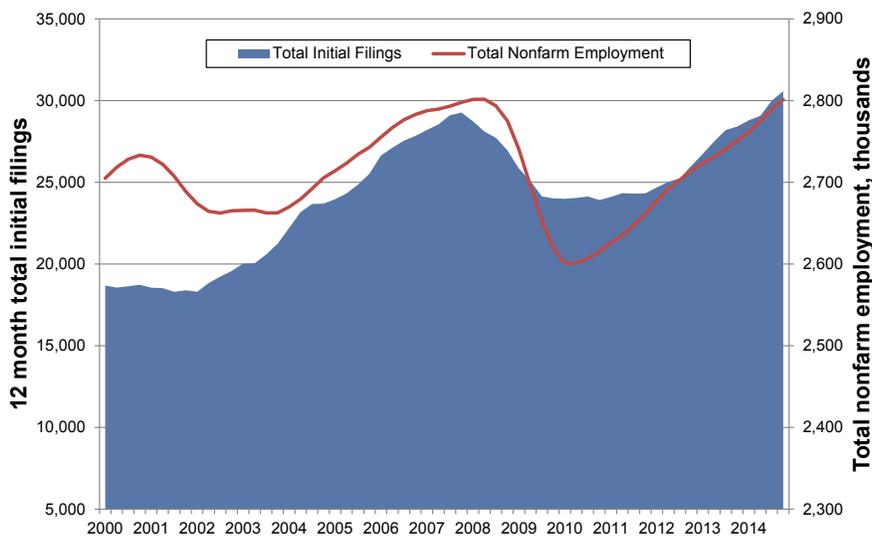
**Business filings expanded in the fourth quarter of 2014.** New entity filings and annual reports both increased in 2014Q4 compared with 2013Q4. During this period, assumed name and initial trademark registrations shrunk and dissolutions increased. In the last twelve months, Tennessee has registered 30,579 new entity filings and 201,475 annual reports. As of January 1, 2015 there are 228,565 active entities in Tennessee which is 3.5 percent higher than the previous quarter's count.

**Gains in new business filings suggest continued growth for the Tennessee economy.** Predictive models suggest that changes in new entity filings are a leading indicator of nonfarm employment, personal income, and total tax revenues in Tennessee. New entity filings are up 8.8 percent compared to this quarter last year, suggesting that continued economic growth is expected for Tennessee in the short-run.

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**Figure 1: Tennessee Employment and New Entity Filings**



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

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### EMPLOYMENT FORECASTS

Q1 2015 vs Q4 2014 ▲

Q1 2015 vs Q1 2014 ▲

Q2 2015 vs Q2 2014 ▲

### 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

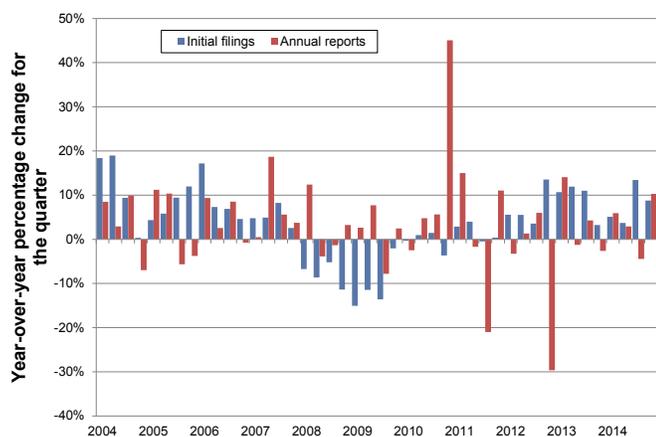
vs. prior month ▼

vs. prior year ▼

## Initial Filings

In the fourth quarter there were 7,192 new entity filings, representing an 8.8 percent increase over 2013Q4. Initial filings have now posted year-over-year gains for 13 consecutive quarters (Figure 2). Domestic for-profit corporations, nonprofits, limited liability corporations (LLCs), and foreign entities all showed year-over-year growth, with domestic LLCs exhibiting the largest gains compared to last year. In 2014Q4, 82.2 percent of all new entity filings came from domestic firms while 17.8 percent were from foreign entities. New entity filings were down 8.7 percent compared to the previous quarter because of normal seasonal variation. Since 2003 fourth quarter filings have consistently been lower than third quarter filings so this is not indicative of any broader economic trend.

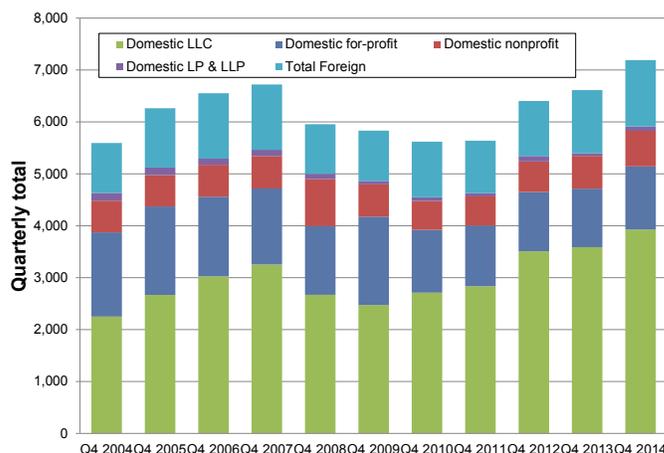
Figure 2: Initial Filings and Annual Reports



Source: TN Business Filing Data.

Among the five largest Tennessee counties there were 3,311 new entity filings, which was a 10.7 percent increase compared to 2013Q4 (Table 1). New entity filings in the five largest counties accounted for 46.0 percent of all new entity filings in Tennessee. Davidson County led the way with 1,267 new filings while Rutherford County, with 194 new filings, had the fewest among the big five.

Figure 3: Initial Filings



Source: TN Business Filing Data.

## Annual Reports and Dissolutions

Annual reports and dissolutions both increased during the fourth quarter of 2014 as compared to 2013Q4. In the fourth quarter there were 15,348 annual reports filed, representing a 10.3 percent increase compared to 2013Q4. Approximately 80.0 percent

TABLE 2: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2014 Q4)	% Change (over last quarter)	% Change (year-over-year)
<b>Business Entity Initial Filings</b>			
Domestic For-Profit Corporations	1,214	-5.2	7.5
Domestic Nonprofit Corporations	687	-13.8	8.9
Domestic LLC	3,928	-10.6	9.5
Foreign Entities - Total	1,281	-5.3	5.3
Total Business Entity New Filings	7,192	-8.7	8.8
<b>Business Entity Annual Reports</b>			
Domestic For-Profit Corporations	4,626	-18.2	-0.4
Domestic Nonprofit Corporations	4,110	-32.0	1.5
Domestic LLC	3,514	-36.3	36.8
Domestic LLP	6	-57.1	-64.7
Foreign Entities - Total	3,092	11.0	17.3
Total Business Entity Annual Reports	15,348	-23.3	10.3
<b>Other Business Filings</b>			
Dissolutions	1,403	-93.5	31.1
Initial Trademark Registrations	186	-12.3	-7.9
Initial Assumed Name Registrations	838	-14.5	-3.3

Source: TN Business Filing Data

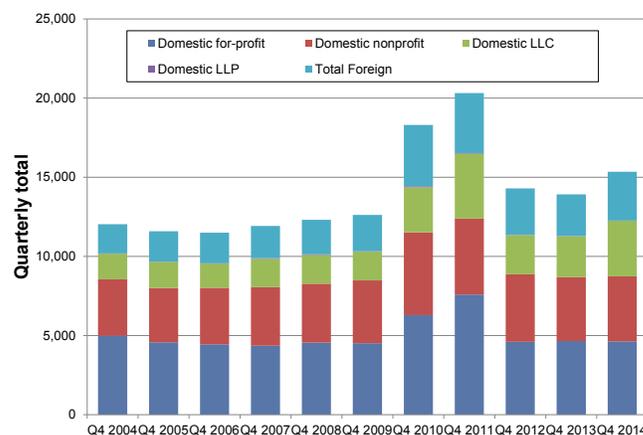
**Table 1: Initial Filings among the Five Largest TN Counties, 2014Q4**

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	1,267	-6.1%	16.9%
2	Shelby	978	-6.0%	8.5%
3	Knox	473	-12.9%	4.0%
4	Hamilton	399	-3.6%	18.4%
5	Rutherford	194	-28.1%	-9.8%
<b>Total</b>		<b>3,311</b>	<b>-8.5%</b>	<b>10.7%</b>

of renewals were from domestic firms while 20.0 percent came from foreign entities. Domestic LLCs showed the largest year-over-year gains, expanding by 36.8 percent, followed by foreign entities (17.3 percent), and domestic nonprofits (1.5 percent), while annual reports of domestic for-profit corporations fell slightly. This is the first time since 2011 that annual reports increased during the fourth quarter (Figure 4). There were 1,403 dissolutions filed in 2014Q4, which was up 31.1 percent compared to 2013Q4. Due to the fiscal year schedule used by most entities in Tennessee (fiscal year ending in December,) the majority of dissolutions are filed in the third quarter each year. Therefore, the number of fourth quarter dissolutions is a relatively small portion of the yearly total.

## Tennessee Economic Indicators

**The Tennessee economy continues to improve.** Personal income shows slow but steady growth, reaching \$267.5 million in 2014Q3 which represents a 3.7 percent increase over last year and a

**Figure 4: Annual Reports**

Source: TN Business Filing Data.

0.8 percent increase over the previous quarter. Year-over-year growth in Tennessee total tax revenues was 4.7 percent in 2014Q4. Sales tax revenues grew by 6.8 percent compared to 2013Q4, while franchise and excise tax revenues fell 5.5 percent.

In the Tennessee labor market, nonfarm employment increased by 2.4 percent or 66,200 jobs over last year. Employment in the manufacturing sector grew by 2.8 percent or 8,900 jobs, and mining, logging, and construction employment grew by 10.1 percent, representing an increase of 11,000 jobs. Preliminary estimates show Tennessee's monthly unemployment rate falling to 6.6 percent in December. This compares favorably to the 6.8 percent unemployment rate recorded in November, and even more so compared to the 7.7 percent rate registered in December 2013. Despite this downward

**TABLE 3: TENNESSEE DATA**

	Current Period <sup>a</sup>	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2014Q3]	267,532	0.8	3.7
Total tax revenue (millions of dollars) [2014Q4]	2,715	-8.4	4.7
Sales tax revenue (millions of dollars) [2014Q4]	1,868	-2.0	6.8
Franchise & excise tax revenue (millions of dollars) [2014Q4]	262	-37.8	-5.5
Total nonfarm employment (in thousands) - monthly [2014-December]	2,841	0.5	2.4
Manufacturing employment (in thousands) - monthly [2014-December]	331	1.0	2.8
Mining, logging, & construction employment (in thousands) - monthly [2014-December]	120	2.0	10.1

### Unemployment Rate (%)

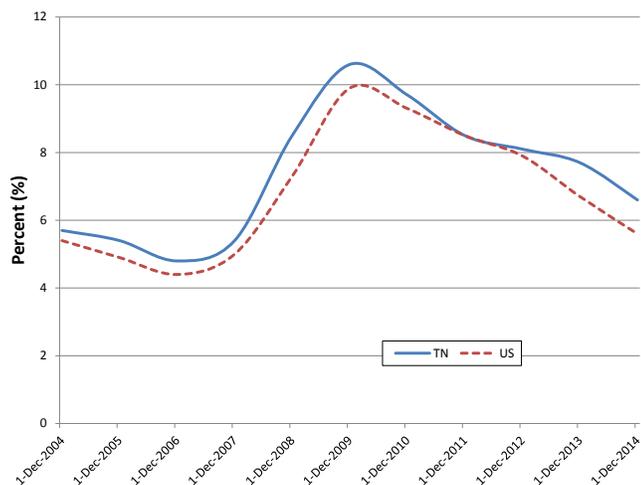
December 2014		November 2014		December 2013	
Rate		Rate	Change	Rate	Change
6.6		6.8	-0.2	7.7	-1.1

<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.

trend, Tennessee’s unemployment rate is still a full percentage point above the national rate of 5.6 percent (Figure 5).

**Figure 5: Unemployment Rate**



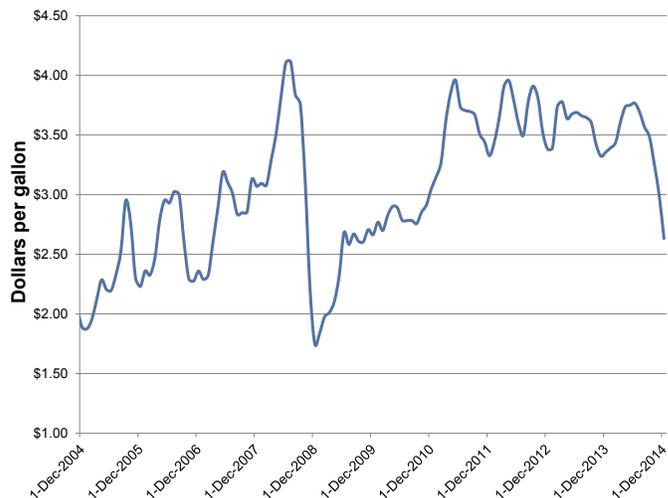
Source: Bureau of Labor Statistics.

### National Economic Indicators

**Sustained growth in the U.S. economy.** Year-over-year growth in real gross domestic product (GDP) was recorded at 2.5 percent during the fourth quarter of 2014 and real GDP grew by 2.6 percent over the previous quarter. U.S. personal income expanded by 4.3 percent over last year, which is slightly faster than state income growth. Nonfarm employment grew by 2.1 percent, which is slightly slower than the 2.4 percent growth rate registered in Tennessee.

Light vehicle sales continue to grow, increasing by 7.3 percent over last year and 0.3 percent over the previous quarter. This marks 14 consecutive quarters of growth, however, sales are still more than 1 million units below the pre-recession peak of 17.98 million units in 2005Q3. Retail gasoline prices have now fallen for six consecutive months, with a 12.2 percent drop between November and December. Averaging \$2.63 per gallon for the month of December, gasoline prices have not been this low since 2009 (Figure 6).

**Figure 6: Gasoline Prices are at a Five Year Low**



Source: 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) [2014Q4]	14,929	0.9	4.3
Real GDP (2009 billions of dollars) [2014Q4]	16,312	2.6	2.5
Consumer price index (1982-84 = 1.00) [2014Q4]	2.37	-0.3	1.2
Light vehicle sales (millions) [2014Q4]	16.78	0.3	7.3
Housing starts (millions) [2014Q4]	1.04	0.7	1.1
Federal funds rate (%) [2014Q4]	0.1	12.9	16.8
30-year fixed mortgage rate (%) [2014Q4]	3.97	-4.1	-7.8
S&P 500 stock index [2014Q4]	2,013	1.9	13.7
Retail Gasoline Prices (dollars per gallon) - monthly [2014-December]	2.63	-12.2	-21.6
Total nonfarm employment (in thousands) - monthly [2014-December]	140,347	0.2	2.1

**Unemployment Rate (%)**

December 2014		November 2014		December 2013	
Rate		Rate	Change	Rate	Change
5.6		5.8	-0.2	6.7	-1.1

<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, IHS Global Insights, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, and Bureau of Labor Statistics.