

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

Business Filings Overview

New entity filings expanded during the fourth quarter of 2015. Compared to the fourth quarter of 2014, new entity filings grew while annual reports shrunk. During this period, initial trademark registrations and assumed name registrations increased and the number of dissolutions fell. In the last twelve months, Tennessee has recorded 33,003 new entity filings and 202,780 annual reports. As of January 1, 2016 there are 237,671 active entities in Tennessee, which is 3.5 percent higher than the previous quarter's count.

Gains in new business filings suggest a healthy Tennessee economy. New business filings are a good leading indicator for economic activity in the state, as initial filings growth generally precedes nonfarm employment, personal income, and total tax revenues gains in Tennessee. Over the last three months, new entity filings were up 7.2 percent compared to the same quarter last year, suggesting that broader economic growth should continue in the short run.

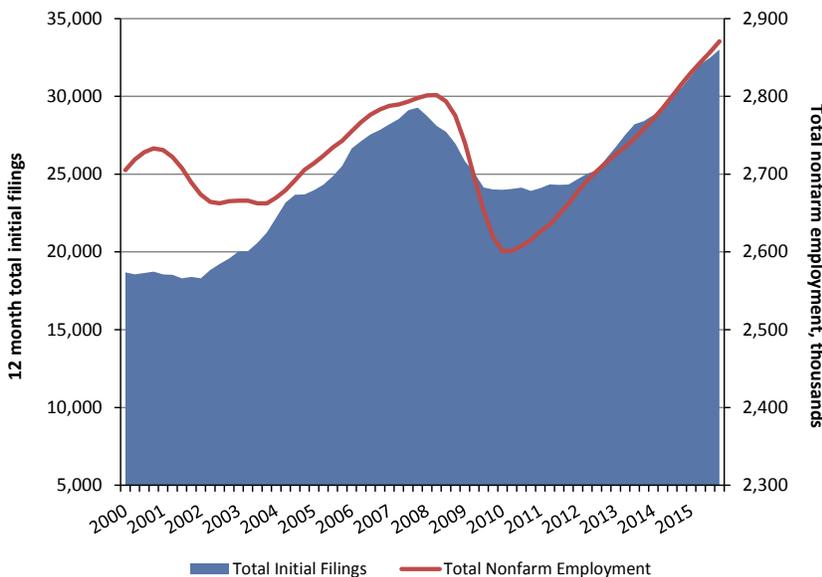
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Figure 1: Tennessee Employment And New Entity Filings



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

EMPLOYMENT FORECASTS

Q1 2016 vs Q4 2015 ↑

Q1 2016 vs Q1 2015 ↑

Q2 2016 vs Q2 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

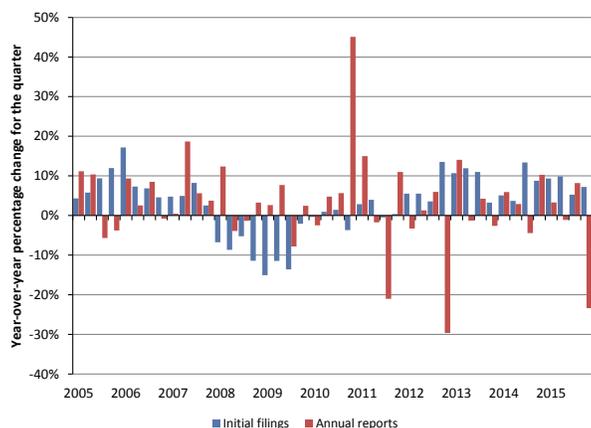
vs. prior month ↑

vs. prior year ↓

Initial Filings

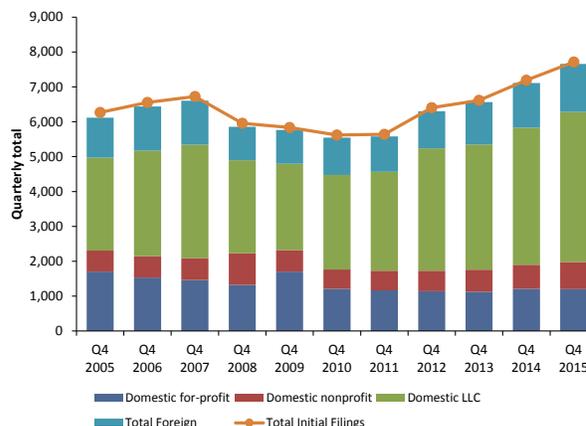
In the fourth quarter of 2015 there were 7,712 new entity filings, representing a 7.2 percent increase over the fourth quarter of 2014. Initial filings have now shown year-over-year growth for 17 consecutive quarters (see Figure 2.) Initial filings for domestic nonprofit corporations, limited liability corporations (LLCs), and foreign entities all grew compared to the same quarter last year, while new entity filings for domestic for-profit corporations shrunk. Domestic firms accounted for 82.2 percent of all new entity filings during the fourth quarter and foreign entities accounted for the remaining 17.8 percent. Compared to the previous quarter, new entity filings were down 7.0 percent, but this was primarily due to seasonal variation. Only once in the last ten years (2012) has fourth quarter filings exceeded third quarter filings.

Figure 2: Initial Filings And Annual Reports



Source: TN Business Filing Data.

Figure 3: Initial Filings



Source: TN Business Filing Data.

Among the four largest Tennessee counties there were 4,116 new entity filings during the fourth quarter of 2015, representing a 32.1 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 53.4

Table 2: Initial Filings among the Four Largest TN Counties, 2015Q4

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	1,692	13.3	33.5
2	Shelby	1,299	21.3	32.8
3	Knox	656	25.9	38.7
4	Hamilton	469	11.1	17.5
Total		4,116	17.4	32.1

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2015 Q4)	% Change (over last quarter)	% Change (year-over-year)
<u>Business Entity Initial Filings</u>			
Domestic For-Profit Corporations	1,200	-2.7	-1.2
Domestic Nonprofit Corporations	779	-11.1	13.4
Domestic LLC	4,359	-8.1	8.7
Foreign Entities - Total	1,374	-4.5	7.3
Total Business Entity New Filings	7,712	-7.0	7.2
<u>Business Entity Annual Reports</u>			
Domestic For-Profit Corporations	3,488	-42.5	-24.6
Domestic Nonprofit Corporations	4,122	-30.7	0.3
Domestic LLC	2,033	-68.9	-42.2
Foreign Entities - Total	2,117	-31.9	-31.5
Total Business Entity Annual Reports	11,760	-45.7	-23.4
<u>Other Business Filings</u>			
Dissolutions	1,515	-93.4	-14.7
Initial Trademark Registrations	198	15.1	6.5
Initial Assumed Name Registrations	996	-23.2	18.9

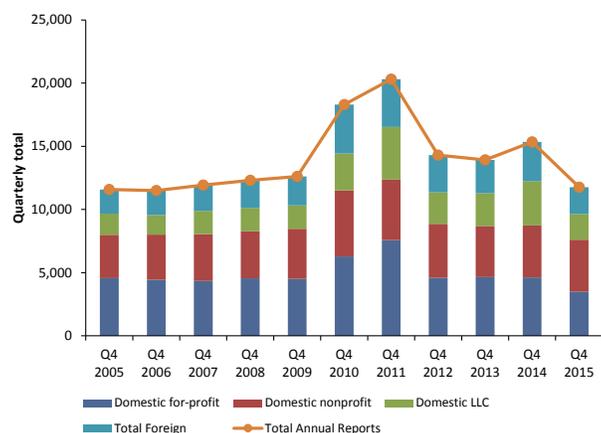
Source: TN Business Filing Data.

percent of all new entity filings in Tennessee. Among these four counties, Davidson County saw the most new filings with 1,692, while Hamilton County saw the fewest with 469 new filings. However, all four counties saw robust growth in new entity filings compared to the fourth quarter of 2014.

Annual Reports and Dissolutions

During the fourth quarter of 2015 annual reports and dissolutions both shrunk as compared to 2014Q4. In the fourth quarter there were 11,760 annual reports filed, representing a 23.4 percent drop compared to the same quarter last year. The number of annual report filings is generally lowest during the fourth quarter of every year. Therefore, in percentage terms this seems like a large drop in annual reports, but since it is being compared to an already

Figure 4: Annual Reports



Source: TN Business Filing Data.

small base, it does not represent a large change. In fact, annual reports for the year still saw a slight 0.6 percent uptick compared to the 2014 count despite this fourth quarter drop. Domestic for-profit corporations, LLCs, and foreign entities all reported year-over-year losses in annual reports, while domestic nonprofits saw a marginal gain. There were 1,515 dissolution filings in 2015Q4, representing a 14.7 percent reduction compared to the same quarter last year.

Tennessee Economic Indicators

The Tennessee economy continues to grow. Nominal Personal income in Tennessee reached \$279.0 billion in the third quarter of 2015, representing a 4.9 percent increase over the same quarter last year and a 0.9 percent increase compared to the previous quarter. Tennessee tax revenues were up 9.8 percent on a year-over-year basis during the fourth quarter. Robust tax revenue growth has been driven by a 7.0 percent increase in sales tax revenues and a 48.4 percent increase in franchise and excise tax revenues compared to the fourth quarter of 2014.

In the Tennessee labor market, December nonfarm employment expanded by 2.3 percent or 64,900 jobs compared to last year. Manufacturing employment grew by 1.4 percent or 4,700 jobs, and mining, logging, and construction employment increased by 1.3 percent or 1,500 jobs. December’s monthly unemployment rate increased to 5.6 percent, a 0.1 percentage point uptick compared to the previous month but a 1.0 percentage point drop compared to December of last year. Tennessee’s unemployment rate continues to rest above the national rate of 4.9 percent (Figure 5).

National Economic Indicators

TABLE 3: TENNESSEE DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2015Q3]	278,958	0.9	4.9
Total tax revenue (millions of dollars) [2015Q4]	2,982	-5.5	9.8
Sales tax revenue (millions of dollars) [2015Q4]	1,999	-2.2	7.0
Franchise & excise tax revenue (millions of dollars) [2015Q4]	389	-14.1	48.4
Total nonfarm employment (in thousands) - monthly [2015-December]	2,916	0.7	2.3
Manufacturing employment (in thousands) - monthly [2015-December]	335	0.8	1.4
Mining, logging, & construction employment (in thousands) - monthly [2015-December]	117	1.3	1.3

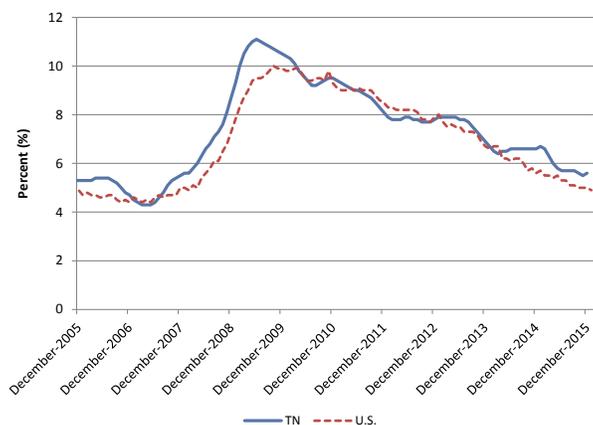
Unemployment Rate (%)

December 2015		November 2015		December 2014	
Rate		Rate	Change	Rate	Change
5.6		5.5	0.1	6.6	-1.0

^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.

Figure 5: Unemployment Rate



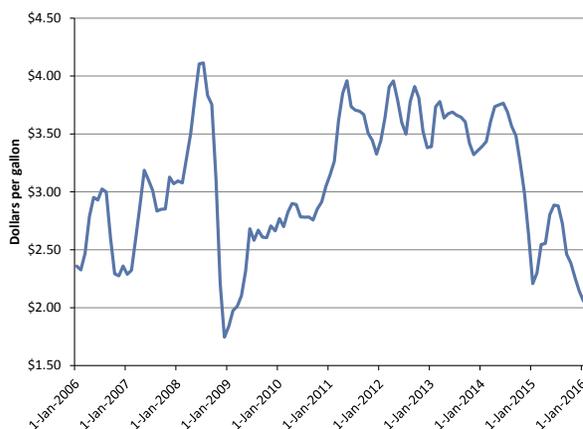
Source: Bureau of Labor Statistics.

Slow but steady growth continues for the U.S. economy. Real gross domestic product (GDP) grew at an annual rate of 0.7 percent in the fourth quarter, as compared to the third quarter of 2015, and increased by 1.8 percent for the year as a whole. U.S. personal income advanced 0.9 percent compared to the previous quarter, matching state personal income growth in Tennessee.

Nonfarm employment rose by only 151,000 in January, representing a 1.9 percent increase compared to last January. This was well below the yearly average of 228,000 new jobs per month in 2015. However, even with the relatively poor labor market performance in January, job growth has still averaged 231,000 new jobs per month over the last three months (November 2015 through January 2016).

Light vehicle sales continue to expand, advancing 7.7 percent over the fourth quarter of 2014, and 1.7 percent over the previous quarter. Housing starts grew by 8.3 percent on a year-over-year basis, but are down 1.3 percent compared to the previous quarter. Retail gasoline prices continue to fall, dropping by 4.1 percent in January, and are down 6.8 percent compared to a year ago. At \$2.06/gallon, retail gasoline prices have not been this low since March 2009. Similarly, the price of Brent crude oil has fallen to \$28.94/barrel as of January 15, 2016, marking the first time since 2003 that oil prices have fallen so low.

Figure 6: Retail Gasoline Prices – All Grades



Source: Energy Information Administration.

TABLE 4: NATIONAL DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2015Q4]	15,605	0.9	4.3
Real GDP (2009 billions of dollars) [2015Q4]	16,442	0.7	1.8
Consumer price index (1982-84 = 1.00) [2015Q4]	2.38	0.1	0.4
Light vehicle sales (millions) [2015Q4]	18.06	1.7	7.7
Housing starts (millions) [2015Q4]	1.14	-1.3	8.3
Federal funds rate (%) [2015Q4]	0.15	11.9	52.1
30-year fixed mortgage rate (%) [2015Q4]	3.93	-0.6	-1.0
S&P 500 stock index [2015Q4]	2,053	1.3	2.0
Retail Gasoline Prices (dollars per gallon) - monthly [2016-January]	2.06	-4.1	-6.8
Total nonfarm employment (in thousands) - monthly [2016-January]	143,288	0.1	1.9

Unemployment Rate (%)					
January 2016		December 2015		January 2015	
Rate		Rate	Change	Rate	Change
4.9		5.0	-0.1	5.7	-0.8

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