

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

Business Filings Overview

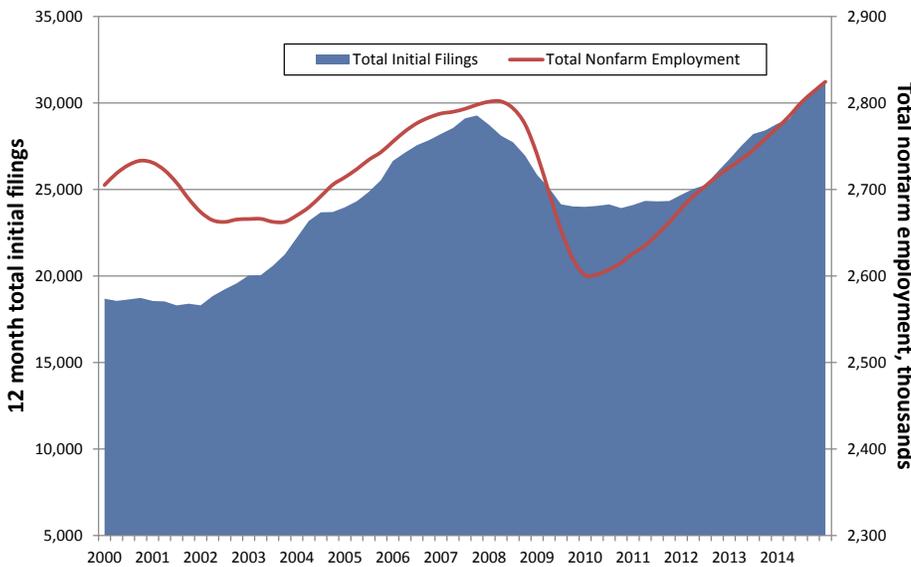
New entity filings and annual reports both expanded during the first quarter of 2015, as compared to the same quarter last year. During this period, initial trademark registrations and dissolutions also increased. In the past twelve months, Tennessee has registered 31,321 new entity filings and 205,278 annual reports. As of April 1, 2015, there are 234,571 active entities in Tennessee, representing a 2.6 percent increase compared to the previous quarter's count.

An increase in new entity filings insinuates continued growth 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 9.3 percent compared to the first quarter of 2014, suggesting that economic growth in Tennessee should persist in the near term.

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Figure 1: Tennessee Employment and New Entity Filings



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

Tre Hargett
Tennessee Secretary of State
State Capitol, First Floor
600 Charlotte Avenue
Nashville, TN 37243
Phone: (615) 741-2819
<http://www.tn.gov/sos/>

Prepared by the
Center for Business
and Economic Research
Haslam College of Business
The University of Tennessee

EMPLOYMENT FORECASTS

Q2 2015 vs Q1 2015 ▲

Q2 2015 vs Q2 2014 ▲

Q3 2015 vs Q3 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

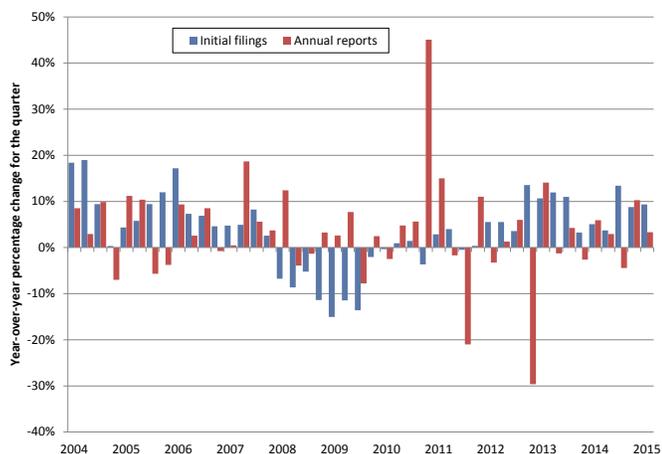
vs. prior month ▼

vs. prior year ▼

Initial Filings

Tennessee recorded 8,685 new entity filings during the first quarter of 2015, representing a 9.3 percent increase over the same quarter last year. On a year-over-year basis, new entity filings have now increased for 14 consecutive quarters (Figure 2). Domestic nonprofits, limited liability corporations (LLCs), and foreign entities all posted year-over-year gains, with domestic nonprofits showing the largest growth compared to last year. Initial filings of domestic for-profit corporations experienced a slight contraction compared to last year. During the first quarter of 2015, 84.1 percent of all new entity filings came from domestic firms while 15.9 percent were from foreign entities. New entity filings were up 20.8 percent compared to the previous quarter, but this was mainly due to normal seasonal variation. Since 1998, first quarter filings have consistently been

Figure 2: Initial Filings and Annual Reports

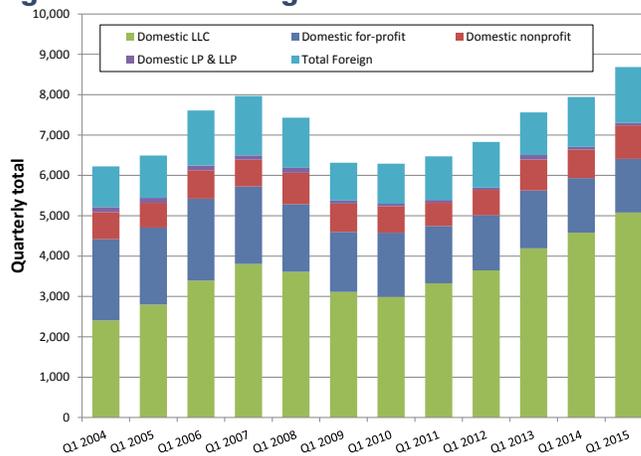


Source: TN Business Filing Data.

higher than those from the previous quarter (i.e. fourth quarter of the year prior).

Among the five largest Tennessee counties there were 4,098 new entity filings, up 6.9 percent compared to the first quarter of last year (Table 1). New entity filings in the five largest counties accounted for 47.2 percent of all new filings in Tennessee. With 1,509 new entity filings, Davidson County led the way. Shelby County was close behind with 1,195 new filings. Rutherford County, with 314 new filings had the fewest among the top five, but had a very robust increase from previous periods.

Figure 3: Initial Filings



Source: TN Business Filing Data.

Annual Reports and Dissolutions

Both annual reports and dissolutions increased during the first quarter of 2015. There were 118,678 annual reports filed in

TABLE 2: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2015 Q1)	% Change (over last quarter)	% Change (year-over-year)
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,332	9.7	-1.4
Domestic Nonprofit Corporations	829	20.7	16.6
Domestic LLC	5,078	29.3	10.8
Foreign Entities - Total	1,384	8.0	11.8
Total Business Entity New Filings	8,685	20.8	9.3
Business Entity Annual Reports			
Domestic For-Profit Corporations	30,833	566.5	-0.8
Domestic Nonprofit Corporations	17,426	324.0	-1.9
Domestic LLC	42,014	1,095.6	7.4
Domestic LLP	136	2,166.7	8.8
Foreign Entities - Total	28,269	814.3	5.6
Total Business Entity Annual Reports	118,678	673.2	3.3
Other Business Filings			
Dissolutions	15,921	795.9	739.3
Initial Trademark Registrations	204	9.7	20.7
Initial Assumed Name Registrations	982	17.2	9.4

Source: TN Business Filing Data.

Table 1: Initial Filings among the Five Largest TN Counties, 2015Q1

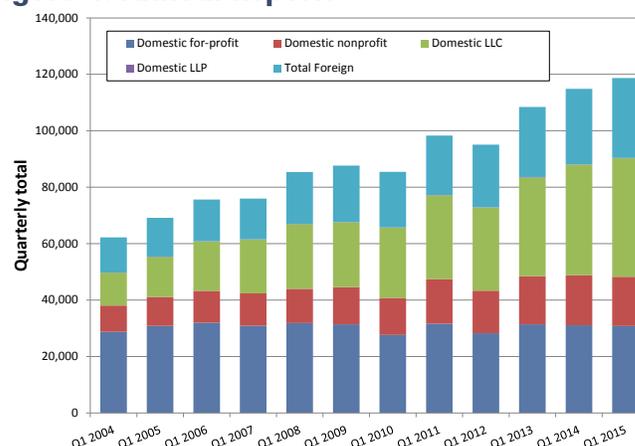
Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	1,509	19.1	3.1
2	Shelby	1,195	22.2	8.9
3	Knox	573	21.1	0.7
4	Hamilton	507	27.1	17.9
5	Rutherford	314	61.9	14.2
	Total	4,098	23.8	6.9

the first quarter, representing a 3.3 percent increase compared to 2014Q1. Among the renewals, 76.2 percent came from domestic firms while 23.8 were from foreign entities. Domestic limited liability partnerships (LLPs) showed the largest year-over-year gains, increasing by 8.8 percent, followed by domestic LLCs (7.4 percent), and foreign entities (5.6 percent). Conversely, annual reports of domestic for-profit corporations and nonprofit corporations contracted.

There were 15,921 dissolutions filed during the first quarter of 2015, which was up considerably compared to this time last year. This increase in dissolutions was triggered by the Department of Revenue exercising its right to dissolve entities for failing to pay taxes. This first quarter spike is not indicative of any broader economic trends and is not expected to reoccur next year.

Tennessee Economic Indicators

Economic data show signs of slow but steady growth in Tennessee. Personal income reached \$270.4 billion during the fourth quarter of 2014, representing a 4.2 percent increase over last year and a

Figure 4: Annual Reports

Source: TN Business Filing Data.

1.1 percent increase over the previous quarter. On a year-over-year basis, total tax revenues grew by 11.0 percent during the first quarter of 2015. This was driven in large part to a 55.6 percent increase in franchise and excise tax revenues compared to last year's depressed collections. Sales and use tax collections were up 4.3 percent during the first quarter of 2015.

In the Tennessee labor market, nonfarm employment was up 1.8 percent or 49,300 jobs over last year. In the manufacturing sector, employment expanded by 2.6 percent or 8,400 jobs, and mining, logging and construction employment grew by 4.4 percent or 4,800 jobs. Tennessee's unemployment rate fell to 6.3 percent in March, compared to 6.6 percent in February. This is still well above the national unemployment rate of 5.5 percent and only slightly below the 6.4 percent rate that Tennessee registered a year ago (Figure 5).

TABLE 3: TENNESSEE DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2014Q4]	270,395	1.1	4.2
Total tax revenue (millions of dollars) [2015Q1]	3,062	12.8	11.0
Sales tax revenue (millions of dollars) [2015Q1]	1,911	2.3	4.3
Franchise & excise tax revenue (millions of dollars) [2015Q1]	570	117.2	55.6
Total nonfarm employment (in thousands) - monthly [2015-March]	2,845	-0.2	1.8
Manufacturing employment (in thousands) - monthly [2015-March]	331	-0.2	2.6
Mining, logging, & construction employment (in thousands) - monthly [2015-March]	114	-1.7	4.4

Unemployment Rate (%)

March 2015		February 2015		March 2014	
Rate		Rate	Change	Rate	Change
6.3		6.6	-0.3	6.4	-0.1

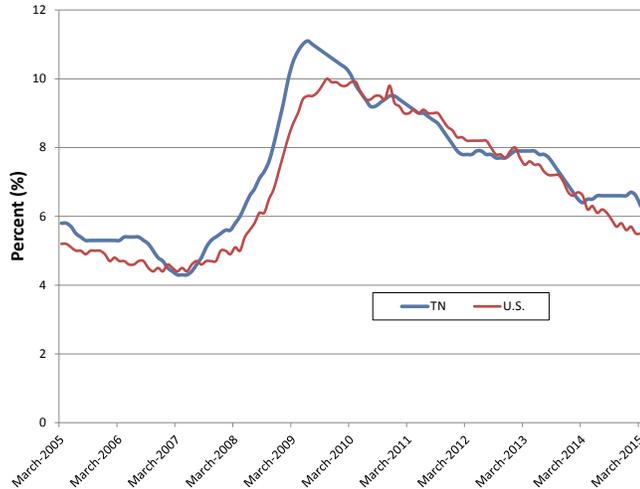
^aPeriods are quarters unless otherwise noted.

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 experienced sluggish growth during the first quarter of 2015. Due to a cold and snowy winter, real gross domestic product (GDP) only grew at an annual rate of 0.2 percent

Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

during the first quarter of 2015. By comparison, real GDP increased by an annual rate of 2.2 percent in 2014Q4 and 5.0 percent during 2014Q3. U.S. personal income registered 4.3 percent growth over last year, which was slightly faster than state income growth. Nonfarm employment increased by 2.3 percent over last March, but a meager 0.1

percent compared to the February jobs report. The overall price level, as measured by the consumer price index, fell by 0.8 percent compared to 2014Q4. This deflationary period should only be temporary and can be attributed to lower oil prices and a stronger dollar.

Light vehicle sales were down 0.9 percent compared to last quarter and housing starts fell by 6.3 percent, but both were well above their levels from one year ago. Retail gasoline prices are still depressed but saw a 10.6 percent increase in March (over February prices.) Gasoline prices are still 29.4 percent lower than they were a year ago. Stronger economic growth is expected in the quarters ahead as the effects of lower energy prices work their way through the economy.

Figure 6: Gasoline Prices are at a Five Year Low



Source: Energy Information Administration.

TABLE 4: NATIONAL DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2015Q1]	15,107	1.0	4.3
Real GDP (2009 billions of dollars) [2015Q1]	16,305	0.2	3.0
Consumer price index (1982-84 = 1.00) [2015Q1]	2.35	-0.8	-0.1
Light vehicle sales (millions) [2015Q1]	16.59	-0.9	6.0
Housing starts (millions) [2015Q1]	1.00	-6.3	7.6
Federal funds rate (%) [2015Q1]	0.11	13.4	54.6
30-year fixed mortgage rate (%) [2015Q1]	3.73	-6.0	-14.4
S&P 500 stock index [2015Q1]	2,063	2.6	12.5
Retail Gasoline Prices (dollars per gallon) - monthly [2015-March]	2.55	10.6	-29.4
Total nonfarm employment (in thousands) - monthly [2015-March]	141,183	0.1	2.3

Unemployment Rate (%)					
March 2015		February 2015		March 2014	
Rate		Rate	Change	Rate	Change
5.5		5.5	0.0	6.6	-1.1

^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, and Bureau of Labor Statistics.