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THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

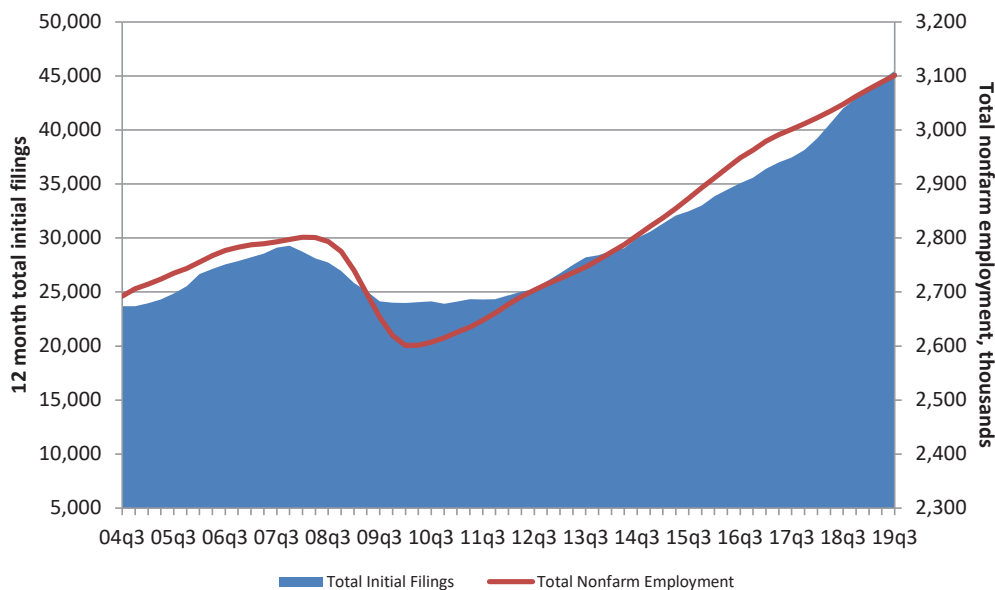
Business Filings Overview

Business filings were mixed during the third quarter of 2019. Compared to the same quarter last year, new entity filings rose by 8.2 percent while annual reports fell by 18.3 percent. While this third quarter drop in annual reports may seem large, it is not indicative of any underlying economic trend as it is based on a relatively small number of filings. The majority of annual reports are typically filed during the first two quarters of each year. During this same period, the number of dissolutions, initial trademark registrations, and initial assumed name registrations also grew. Over the last twelve months the state has recorded 45,464 new entity filings and 248,646 annual reports.

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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

Q4 2019 vs Q3 2019 ↑

Q4 2019 vs Q4 2018 ↑

Q1 2020 vs Q1 2019 ↑

INDICATORS

Employment (SA)

(June 2019)

vs. prior month ↑

vs. prior year ↑

New Entity Filings

(Q2 2019)

vs. prior quarter ↑

vs. prior year ↑

Annual Report Filings

(Q2 2019)

vs. prior quarter ↓

vs. prior year ↓

Unemployment (SA)

(June 2019)

vs. prior month ↓

vs. prior year ↔

An increase in new entity filings suggests continued economic growth for Tennessee. Changes in new entity filings are a good leading indicator for nonfarm employment, personal income, and total tax revenue growth in Tennessee. Third quarter growth in new entity filings suggests continued economic momentum in the state for the near term.

Initial Filings

During the third quarter of 2019 there were 11,585 new entity filings (i.e. initial filings) recorded in Tennessee, representing an 8.2 percent increase over the same quarter last year.

Initial filings have now seen positive year-over-year growth in 32 consecutive quarters (Figure 2). New filings of domestic limited liability corporations (LLCs) saw the strongest growth, increasing

by 11.2 percent over the third quarter of 2018, followed by filings from foreign entities (up 6.9 percent), and domestic nonprofit corporations (up 4.8 percent). Conversely, new filings from domestic for-profit corporations fell by 3.2 percent. Domestic firms accounted for 84.5 percent of all third quarter new filings, while foreign entities accounted for the remaining 15.5 percent.

Among the four largest Tennessee counties there were 6,856 new entity filings recorded during the third quarter of 2019, representing a robust 12.7 percent increase over the same quarter last year (Table 2). Strong growth in the largest counties helped boost overall new filings growth for the state. These four counties accounted for 59.2 percent of all new entity filings in the state. Davidson County recorded the largest number of new filings, with 2,683, followed by Shelby with 2,440.

Figure 2: Growth in Quarterly Initial Filings

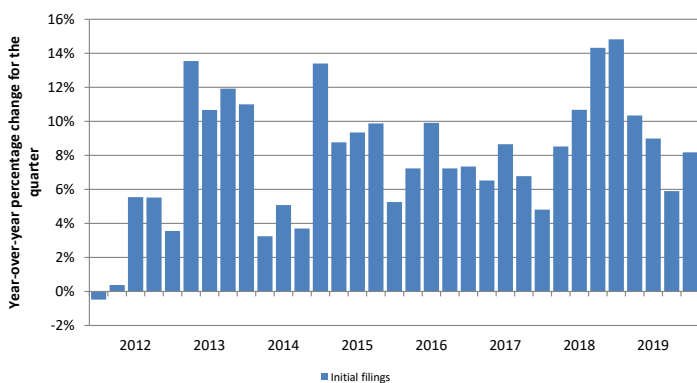
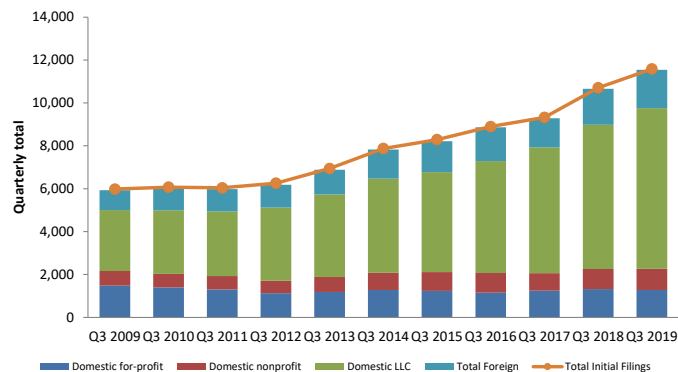


Figure 3: Initial Filings



Source for figures: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2019 Q3)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,276	-3.2%	5,328
Domestic Nonprofit Corporations	986	4.8%	3,614
Domestic LLC	7,531	11.2%	29,460
Foreign Entities - Total	1,792	6.9%	7,062
Total Business Entity New Filings	11,585	8.2%	45,464
Business Entity Annual Reports			
Domestic For-Profit Corporations	4,041	-25.2%	53,491
Domestic Nonprofit Corporations	4,932	-28.6%	39,600
Domestic LLC	7,395	-6.6%	104,949
Foreign Entities - Total	2,968	-13.7%	50,370
Total Business Entity Annual Reports	19,336	-18.3%	248,646
Total Active Entities	283,147	5.7%	-
Other Business Filings			
Dissolutions	30,603	27.0%	37,350
Initial Trademark Registrations	212	11.6%	872
Initial Assumed Name Registrations	1,647	15.1%	6,011

Source: Tennessee Business Filing Data.

Table 2: Initial Filings among the Four Largest TN Counties, 2019Q3

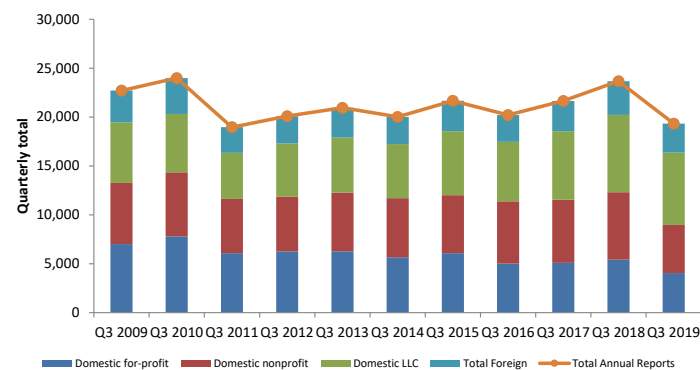
Rank	County	Current Period	% Change (year-over-year)
1	Davidson	2,683	9.5%
2	Shelby	2,440	18.7%
3	Knox	934	8.9%
4	Hamilton	799	11.0%
Total		6,856	12.7%

Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

There were 19,336 annual reports filed in the third quarter of 2019, representing an 18.3 decline compared to the same quarter last year. All categories of annual report filings contracted in the third quarter. Renewals by domestic for profit corporations saw the steepest drop, falling by 28.6 percent, followed by domestic for-profit corporations (down 25.2 percent). Annual reports of foreign entities also fell by 13.7 percent, and renewals by domestic LLCs declined by 6.6 percent. As noted earlier, the majority of annual reports are filed during the first half of each year, and therefore a large third quarter change in annual reports does not have a significant impact on the annual total and by itself is not indicative of broader economic trends. Domestic firms accounted for 84.7 percent of all annual reports, and foreign entities for the remaining 15.3 percent.

There were 30,603 dissolutions filed in the third quarter of 2019, a 27.0 percent increase compared to the third quarter of 2018. The majority of dissolutions occur in the third quarter as entities are administratively dissolved in August for failing to file their annual

Figure 4: Annual Reports

Source: Tennessee Business Filing Data.

report. Thus, this large quarterly increase indicates that more entities have dissolved for the year as a whole than in 2018.

Tennessee Economic Indicators

The state economy continues to see steady gains. Nonfarm employment in Tennessee grew by 1.6 percent in September, representing an increase of 48,200 jobs compared to September of 2018. The manufacturing sector saw job growth of 1.8 percent and added 6,200 jobs compared to last September, while employment in the mining, logging, and construction sector fell by 1.0 percent, equivalent to a loss of 1,300 jobs. Tennessee's unemployment rate fell to 3.4 percent in September, a 0.1 percentage point drop compared to the already low 3.5 percent rate from the month prior. The state unemployment rate is also slightly below its national counterpart. The unemployment rates for both the state and nation remain well below their historic trend levels (see Figure 5).

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2019Q2]	332,004	5.0%	5.3%
Total tax revenue (millions of dollars) - monthly [2019-September]	1,562	-	9.7%
Sales tax revenue (millions of dollars) - monthly [2019-September]	814	-	4.7%
Franchise & excise tax revenue (millions of dollars) - monthly [2019-September]	489	-	22.1%
Total nonfarm employment (in thousands) - monthly [2019-September]	3,123	0.1%	1.6%
Manufacturing employment (in thousands) - monthly [2019-September]	359	0.1%	1.8%
Mining, logging, & construction employment (in thousands) - monthly [2019-September]	129	-0.2%	-1.0%

Unemployment rate (%)

September 2019		August 2019		September 2018	
Rate	Change	Rate	Change	Rate	Change
3.4		3.5	-0.1	3.4	0.0

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, IHS, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Bureau of Labor Statistics.

Note: Month-to-month growth rates are informative if the underlying data are seasonally adjusted, but can be misleading otherwise. For this reason, month-to-month growth rates are excluded for any non-seasonally adjusted data.

In the second quarter of 2019, nominal personal income reached \$332.0 billion, representing a 5.0 percent annualized increase compared to the previous quarter. In September 2019, Tennessee tax revenues expanded by a robust 9.7 percent compared to the same month last year, as sales and use tax revenues grew by 4.7 percent and franchise and excise tax revenues shot up by 22.1 percent. For the fiscal year-to-date, August 2019 to September 2019, state tax revenues have risen by 9.0 percent.

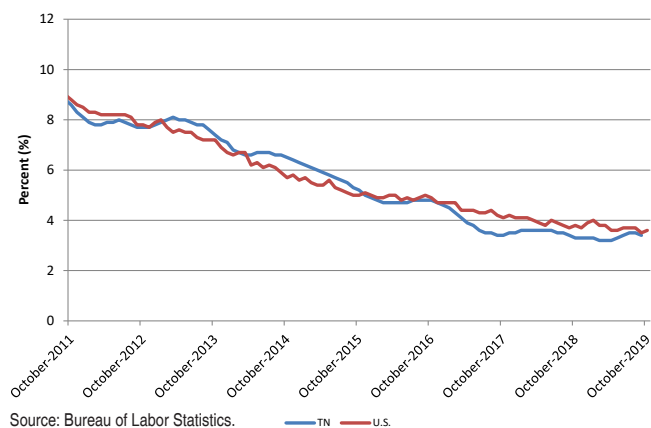
National Economic Indicators

The national economy continues to grow, but at a more moderate pace. Inflation adjusted gross domestic product (real GDP) growth slowed to 1.9 percent in the third quarter of 2019, as business investment and net exports continue to decline, and temporary factors such as the workers strike at General Motors and the prolonged grounding of the Boeing 737 Max jets provide

temporary downward pressure to growth. Economic growth could have been weaker had it not been for the resilience of consumer spending. Personal income advanced by 3.8 percent compared to the second quarter of 2019. Nonfarm employment expanded by 1.4 percent, compared to last October, representing a moderate gain of 128,000 jobs compared to the previous month. This represents a slowdown in job growth, as the U.S. economy was averaging a net addition of 156,000 new jobs per month over the last six months.

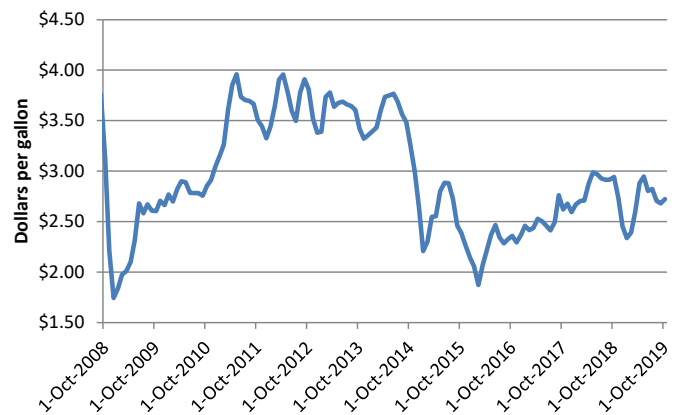
Growth in light vehicle sales continues to taper. Vehicle sales fell to an annual rate of 16.9 million units in the third quarter of 2019, representing a 0.7 percent reduction compared to the third quarter of 2018. Retail gasoline prices have also fallen steadily over the last few months. After hovering around \$2.80-2.90 per gallon in the early-summer months, they have now fallen back down to \$2.72/gallon as of October, representing a 7.4 percent drop compared to the same month last year (Figure 6).

Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

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) [2019Q3]	18,772	3.8%	4.7%
Real GDP (2012 billions of dollars) [2019Q3]	19,113	1.9%	2.0%
Consumer price index (1982-84 = 1.00) [2019Q3]	2.56	0.5%	1.8%
Light vehicle sales (millions) [2019Q3]	16.90	-0.7%	-0.7%
Housing starts (millions) [2019Q3]	1.29	2.5%	4.4%
Federal funds rate (%) [2019Q3]	2.19	-8.9%	13.6%
30-year fixed mortgage rate (%) [2019Q3]	3.67	-8.4%	-19.7%
S&P 500 stock index [2019Q3]	2,958	2.6%	3.7%
Retail Gasoline Prices (dollars per gallon) - monthly [2019-October]	2.72	1.6%	-7.4%
Total nonfarm employment (in thousands) - monthly [2019-October]	151,945	0.1%	1.4%

Unemployment rate (%)

October 2019		September 2019		October 2018	
Rate		Rate	Change	Rate	Change
3.6		3.5	0.1	3.8	-0.2

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, IHS, U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Bureau of Labor Statistics.