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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

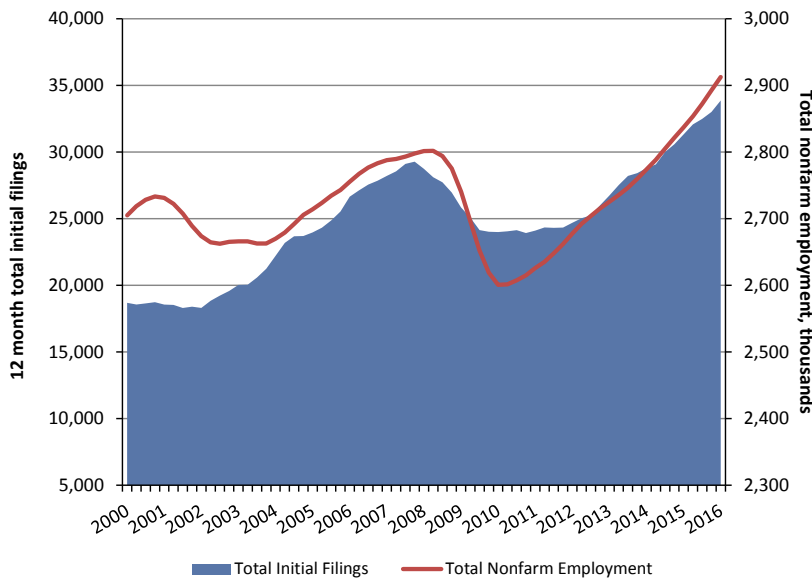
Both new entity filings and annual reports showed year-over-year gains during the first quarter of 2016. During this period, initial trademark registrations and assumed name registrations grew and the number of dissolutions fell. Over the last 12 months, Tennessee has recorded 33,864 new entity filings and 216,141 annual reports. As of April 1, 2016 there were 246,500 active entities in Tennessee, representing a 3.7 percent increase compared to the previous quarter's count.

An increase in new entity filings suggests a continuation of economic growth for Tennessee. 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 9.9 percent compared to the first quarter of 2015, suggesting that economic growth in Tennessee should continue 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.

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EMPLOYMENT FORECASTS

Q2 2016 vs Q1 2016 ↑

Q2 2016 vs Q2 2015 ↑

Q3 2016 vs Q3 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 ↓

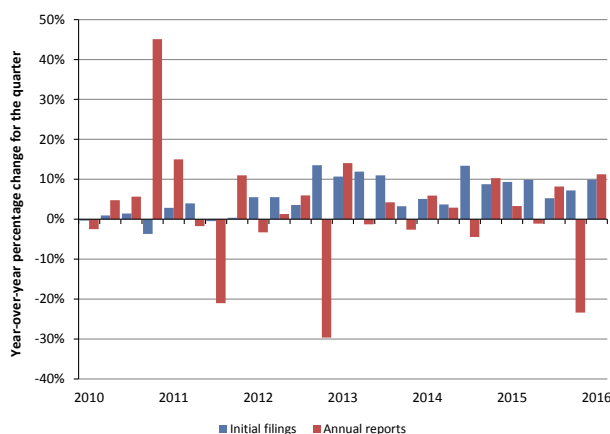
Initial Filings

Tennessee recorded 9,546 new entity filings during the first quarter of 2016, representing a 9.9 percent increase over the same quarter last year. On a year-over-year basis, new entity filings have now grown for 18 consecutive quarters (see Figure 2). All categories of initial filings showed year-over-year growth. Domestic nonprofit corporations exhibited the strongest growth, increasing by 13.4 percent compared to the first quarter of 2016, followed by filings of domestic for-profit corporations, which grew 11.4 percent. Domestic LLCs had the largest number of new filings. Domestic firms accounted for 84.5 percent of all new entity filings in the first quarter, and foreign entities accounted for the remaining 15.5 percent. The foreign share was low relative to

recent quarters. Compared to the previous quarter, new entity filings were up 23.8 percent, but this was largely due to seasonal variation. Since 1998, first quarter filings have consistently been higher than those from the previous quarter.

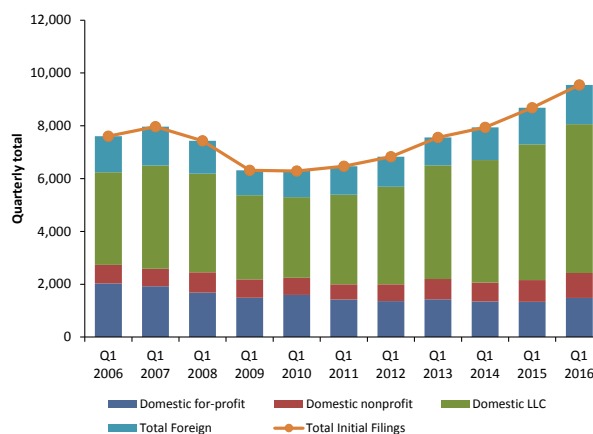
Among the four largest counties there were 5,332 new entity filings during the first quarter of 2016, representing a 40.9 percent increase compared to the same quarter last year (Table 2). New entity filings in the four largest counties accounted for 55.9 percent of all new entity filings in Tennessee. Among the four counties, Davidson County saw the most new filings with 2,265 and the highest growth rate, while Hamilton saw the fewest with 595. However, all four counties saw strong growth in new entity filings compared to the first quarter of 2015.

Figure 2: Initial Filings and Annual Reports



Source: TN Business Filing Data.

Figure 3: Initial Filings



Source: TN Business Filing Data.

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2016 Q1)	% Change (over last quarter)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings				
Domestic For-Profit Corporations	1,484	23.7	11.4	5,228
Domestic Nonprofit Corporations	940	20.7	13.4	3,353
Domestic LLC	5,639	29.4	9.7	19,479
Foreign Entities - Total	1,483	7.9	7.2	5,804
Total Business Entity New Filings	9,546	23.8	9.9	33,864
Business Entity Annual Reports				
Domestic For-Profit Corporations	32,797	840.3	6.4	55,832
Domestic Nonprofit Corporations	18,870	357.8	8.3	37,962
Domestic LLC	48,932	2,306.9	16.1	79,260
Foreign Entities - Total	31,440	1,385.1	11.2	43,087
Total Business Entity Annual Reports	132,039	1,022.8	11.3	216,141
Total Active Entities	246,500	3.7	5.1	-
Other Business Filings				
Dissolutions	2,380	57.1	-85.1	31,148
Initial Trademark Registrations	231	16.7	13.2	836
Initial Assumed Name Registrations	1,198	20.3	22.0	4,599

Source: TN Business Filing Data.

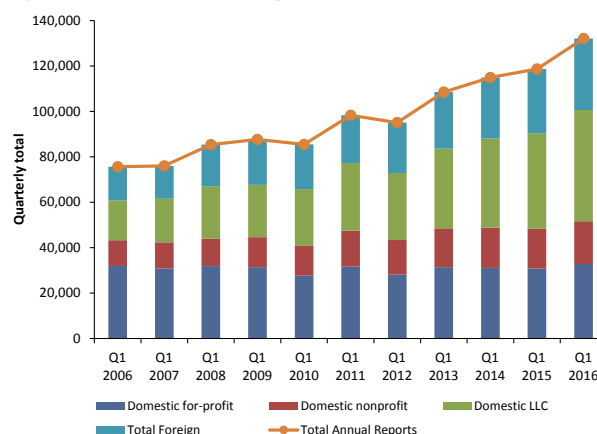
Table 2: Initial Filings among the Five Largest TN Counties, 2016Q1

Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	2,265	33.9	50.1
2	Shelby	1,716	32.1	43.6
3	Knox	756	15.2	31.9
4	Hamilton	595	26.9	17.4
	Total	5,332	29.5	40.9

Annual Reports and Dissolutions

During the first quarter of 2016, annual reports grew and dissolutions shrunk as compared to the same quarter last year. In the first quarter there were 132,039 annual reports filed, representing an 11.3 percent increase compared to the first quarter of 2015. Among the renewals, 76.2 percent came from domestic firms while 23.8 percent were from foreign entities. All categories of annual reports increased compared to the first quarter of 2015. Domestic limited liability corporations (LLCs) showed the largest year-over-year gains, increasing by 16.1 percent, followed by foreign entities (11.2 percent), and domestic nonprofit corporations (8.3 percent).

There were 2,380 dissolutions filed during the first quarter of 2016, representing an 85.1 percent reduction compared to the first quarter of 2015. However, dissolutions were abnormally high in the first quarter of 2015 because the Department of Revenue exercised its right to dissolve entities that failed to pay taxes. Thus, this large first quarter drop in dissolutions is not indicative of any broader economic trends.

Figure 4: Annual Reports

Source: TN Business Filing Data.

Tennessee Economic Indicators

Economic data show signs of continued growth in Tennessee. Nominal personal income reached \$282.9 billion in the fourth quarter of 2015, representing a 5.0 percent increase over the same quarter last year. In March 2016, Tennessee tax revenues were up 16.0 percent on a year-over-year basis. Strong tax revenue growth was been driven by a 15.5 percent increase in sales tax revenues and a 27.5 percent increase in franchise and excise tax revenues compared to March 2015.

In the Tennessee labor market, March nonfarm employment expanded by 3.2 percent or 91,800 jobs compared to last year. Manufacturing employment grew by 3.7 percent or 12,100 jobs, and mining, logging, and construction employment increased by 9.0 percent or 10,300 jobs. Tennessee's monthly unemployment rate fell by a staggering 0.4 percentage points compared to last month, and

TABLE 3: TENNESSEE DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2015Q4]	282,910	1.0	5.0
Total tax revenue (millions of dollars) - monthly [2016-March]	1,094	33.8	16.0
Sales tax revenue (millions of dollars) - monthly [2016-March]	635	9.6	15.5
Franchise & excise tax revenue (millions of dollars) - monthly [2016-March]	250	404.2	27.5
Total nonfarm employment (in thousands) - monthly [2016-March]	2,951	0.0	3.2
Manufacturing employment (in thousands) - monthly [2016-March]	341	0.2	3.7
Mining, logging, and construction employment (in thousands) - monthly [2016-March]	125	-1.2	9.0

Unemployment Rate (%)

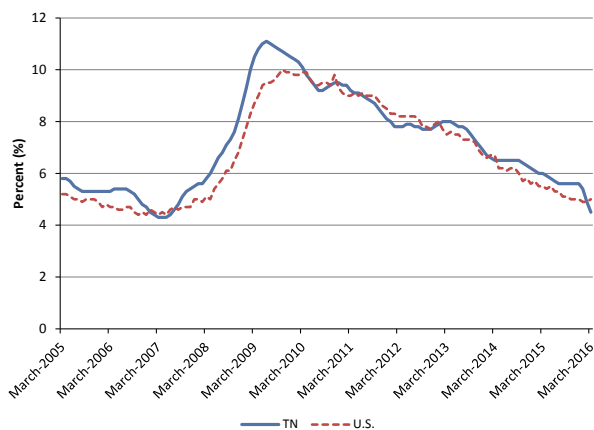
March 2016		February 2016		March 2015	
Rate		Rate	Change	Rate	Change
4.5		4.9	-0.4	6.0	-1.5

^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.

is now pegged at 4.5 percent for the month of March. This marks the first time since February 2014 that the state unemployment rate is below the national rate of 5.0 percent (see Figure 5). This is also the lowest unemployment rate that the state has recorded for almost a decade – in June 2007 Tennessee’s monthly unemployment rate was 4.4 percent.

Figure 5: Unemployment Rate



Source: Bureau of Labor Statistics.

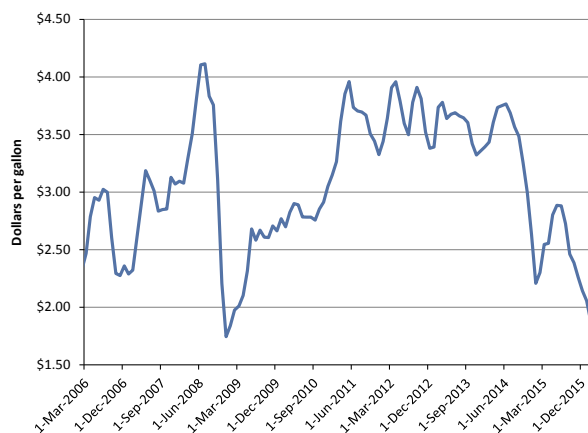
National Economic Indicators

The U.S. economy continues to experience steady growth. Real gross domestic product (GDP) increased at an annual rate of 1.4 percent in the fourth quarter of 2015, and is 2.0 percent higher than the same quarter last year. U.S. personal income advanced 0.8 percent compared to the previous quarter, which was slightly below the 1.0 percent rate of growth seen in Tennessee.

Nonfarm employment rose by a healthy 215,000 jobs in March, representing a 2.0 percent increase compared to last March. Job growth has now averaged 209,000 new jobs per month over the first three months of 2016.

During the first quarter of 2016, housing starts grew a robust 17.6 percent on a year-over-year basis, and are up 1.3 percent compared to the previous quarter. Light vehicles sales are up 2.7 percent compared to the same quarter last year, but are down 3.9 percent compared to the previous quarter. Retail gasoline prices remain low; despite increasing by 10.6 percent in March, gas prices are down 18.7 percent compared to a year ago. However, the Brent crude oil price has increased to \$44.69/barrel as of April 13, 2016, which is well above the January price of \$28.94/barrel.

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]	15,561	0.8	4.0
Real GDP (2009 billions of dollars) [2015Q4]	16,471	1.4	2.0
Consumer price index (1982-84 = 1.00) [2016Q1]	2.38	-0.1	1.1
Light vehicle sales (millions) [2016Q1]	17.11	-3.9	2.7
Housing starts (millions) [2016Q1]	1.15	1.3	17.6
Federal funds rate (%) [2016Q1]	0.37	129.8	234.2
30-year fixed mortgage rate (%) [2016Q1]	3.74	-4.1	0.3
S&P 500 stock index [2016Q1]	1,948	-5.1	-5.6
Retail Gasoline Prices (dollars per gallon) - monthly [2016-March]	2.07	10.6	-18.7
Total nonfarm employment (in thousands) - monthly [2016-March]	143,774	0.1	2.0

Unemployment Rate (%)

March 2016		February 2016		March 2015	
Rate		Rate	Change	Rate	Change
5.0		4.9	0.1	5.5	-0.5

^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.