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THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

Business Filings Overview

New entity filings experienced year-over-year growth in the second quarter of 2015. Compared to the second quarter of 2014, new entity filings grew in 2015Q2 while annual reports fell slightly. During this period, assumed name registrations, initial trademark registrations, and dissolutions all increased. In the last twelve months, Tennessee has recorded 32,069 new entity filings and 204,727 annual reports. As of July 1, 2015 there are 241,381 active entities in Tennessee, which is 2.9 percent larger than the previous quarter's count.

Growth in new business filings points toward sustained economic growth in Tennessee. The number of new entity filings in a quarter is a good leading indicator of nonfarm employment, personal income, and total tax revenues in Tennessee. Over the last three months, new entity filings have grown by a robust 9.9 percent compared to the same quarter last year, suggesting that broader economic growth should continue into the near future.

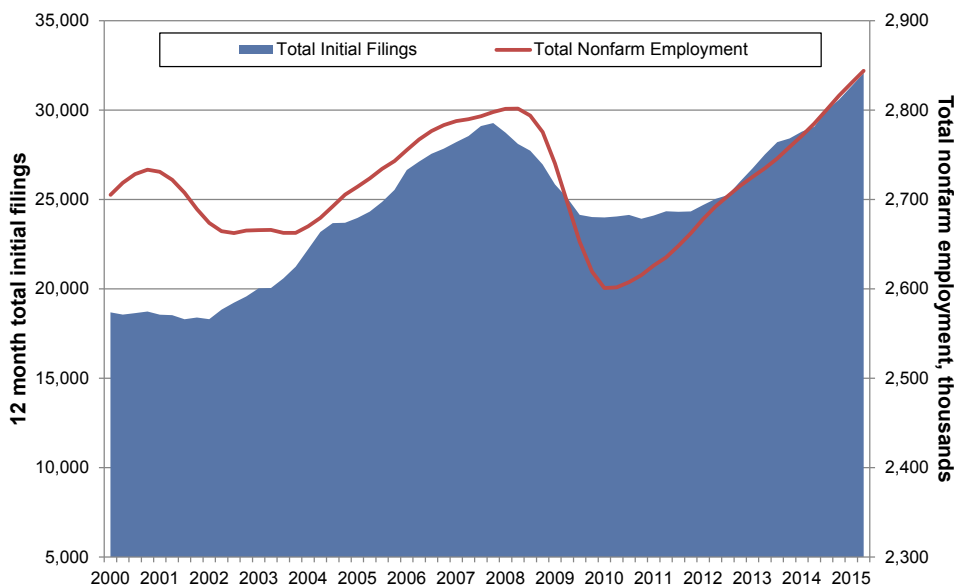
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Figure 1: Tennessee Employment and New Entity Filings



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

EMPLOYMENT FORECASTS

Q3 2015 vs Q2 2015 ▲

Q3 2015 vs Q3 2014 ▲

Q4 2015 vs Q4 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 ▼

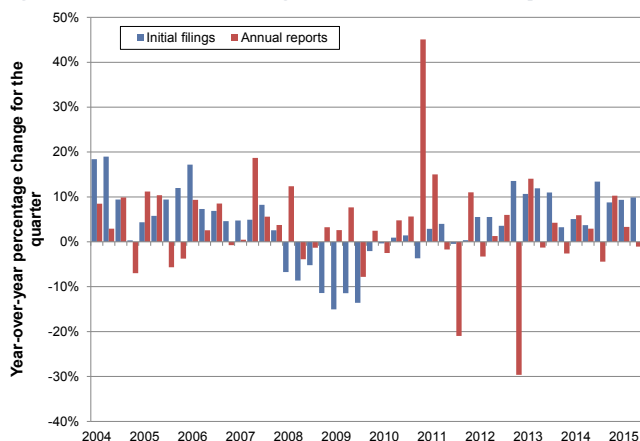
Unemployment

vs. prior month ▼
vs. prior year ▼

Initial Filings

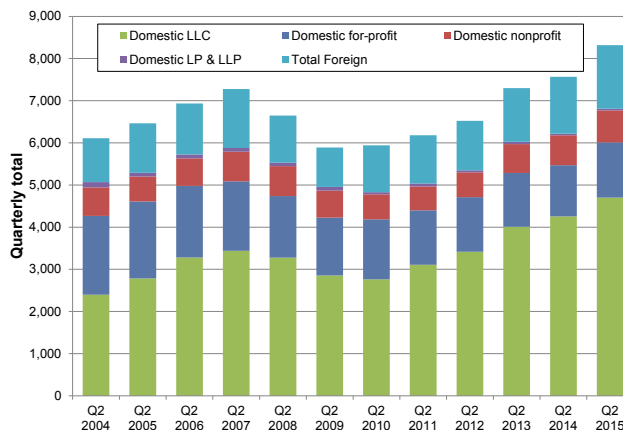
In the second quarter there were 8,317 new entity filings, representing a 9.9 percent increase compared to the same quarter last year. Initial filings have now shown positive year-over-year growth for 15 consecutive quarters (Figure 2). Domestic for-profit corporations, nonprofits, limited liability corporations (LLCs), and foreign entities all showed year-over-year growth, with foreign entities showing the largest gains (Table 1). In 2015Q2, 81.9 percent of all new entity filings came from domestic firms while 18.1 percent were from foreign entities. New entity filings were down 4.2 percent compared to the previous quarter, but this was primarily due to seasonal variation. Since 2002, second quarter filings have consistently been lower than first 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 five largest Tennessee counties there were 3,819 new entity filings, which was 9.0 percent higher than in 2014Q2 (Table 2). New entity filings in the five largest counties accounted for 45.9 percent of all new entity filings in Tennessee. Among the five counties, Davidson County saw the most new filings with 1,471, while Rutherford County saw the fewest with 272 new filings.

Annual Reports and Dissolutions

Annual reports fell while dissolutions increased during the second quarter of 2015 as compared to 2014Q2. In the second quarter there were 50,682 annual reports filed, representing a 1.1 percent drop compared to 2014Q2. Roughly 87.0 percent of renewals

TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2015 Q2)	% Change (over last quarter)	% Change (year-over-year)
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,311	-1.6	8.2
Domestic Nonprofit Corporations	758	-8.6	6.6
Domestic LLC	4,701	-7.4	10.4
Foreign Entities - Total	1,509	9.0	11.8
Total Business Entity New Filings	8,317	-4.2	9.9
Business Entity Annual Reports			
Domestic For-Profit Corporations	13,479	-56.3	-6.8
Domestic Nonprofit Corporations	9,021	-48.2	1.6
Domestic LLC	21,700	-48.4	2.7
Domestic LLP	62	-54.4	-12.7
Foreign Entities - Total	6,420	-77.3	-4.1
Total Business Entity Annual Reports	50,682	-57.3	-1.1
Other Business Filings			
Dissolutions	4,398	-72.4	189.0
Initial Trademark Registrations	235	15.2	32.8
Initial Assumed Name Registrations	1,108	12.8	20.8

Source: TN Business Filing Data.

Table 2: Initial Filings among the Five Largest TN Counties, 2015Q2

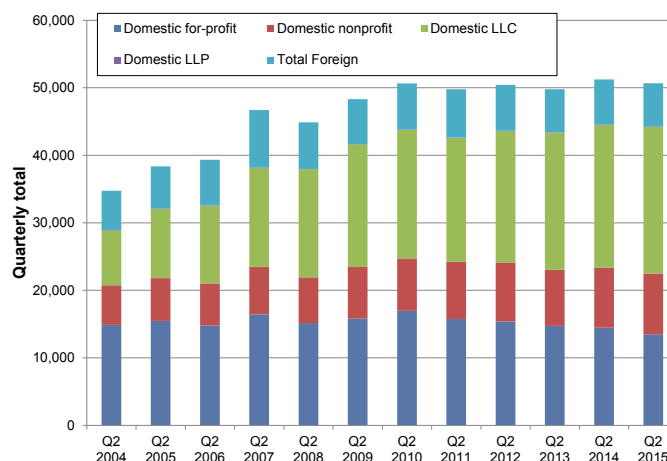
Rank	County	Current Period	% Change (over last period)	% Change (year-over-year)
1	Davidson	1,471	-2.5	8.5
2	Shelby	1,096	-8.3	6.6
3	Knox	542	-5.4	12.0
4	Hamilton	438	-13.6	12.3
5	Rutherford	272	-13.4	10.6
Total		3,819	-6.8%	9.0%

came from domestic firms while 13.0 percent were from foreign entities. Domestic nonprofit corporations and domestic LLCs showed year-over-year gains, while renewals of domestic for-profit corporations, limited liability partnerships (LLPs), and foreign entities fell. There were 4,398 dissolutions filed in 2015Q2, which was more than double the amount from this quarter last year. 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. Thus despite the high year-over-year growth rate, the number of second quarter dissolutions is still a relatively small portion of the yearly total.

Tennessee Economic Indicators

Tennessee data show signs of continued economic growth.

Personal income grew to \$272.5 billion in 2015Q1, representing a 4.0 percent increase over last year and a 0.8 percent increase compared to the previous quarter. Tennessee tax revenues continue to enjoy

Figure 4: Annual Reports

Source: TN Business Filing Data.

robust growth, as total tax revenues are up 9.9 percent on a year-over-year basis. This was driven largely by a 7.2 percent increase in sales tax revenues and a 12.4 percent increase in franchise and excise tax revenues compared to 2014Q2.

In the Tennessee labor market, nonfarm employment grew by 2.2 percent or 61,100 jobs compared to last June. Manufacturing employment increased by 2.4 percent or 7,600 jobs, and mining, logging, and construction employment grew by 3.6 percent or 3,900 jobs. June's monthly unemployment rate fell to 5.7 percent, a 0.1 percentage point drop compared to the previous month and a 0.9 percentage point decrease compared to June of last year. Despite this downward trend, Tennessee's unemployment rate still rests above the national rate of 5.3 percent (Figure 5).

TABLE 3: TENNESSEE DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2015Q1]	272,461	0.8	4.0
Total tax revenue (millions of dollars) [2015Q2]	3,946	28.9	9.9
Sales tax revenue (millions of dollars) [2015Q2]	1,992	4.3	7.2
Franchise & excise tax revenue (millions of dollars) [2015Q2]	938	64.7	12.4
Total nonfarm employment (in thousands) - monthly [2015-June]	2,868	0.2	2.2
Manufacturing employment (in thousands) - monthly [2015-June]	331	0.5	2.4
Mining, logging, & construction employment (in thousands) - monthly [2015-June]	114	-1.3	3.6

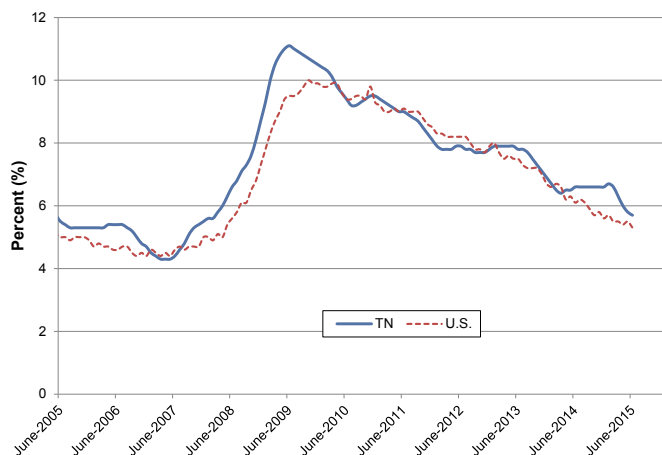
Unemployment Rate (%)

June 2015		May 2015		June 2014	
Rate		Rate	Change	Rate	Change
5.7		5.8	-0.1	6.6	-0.9

^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.

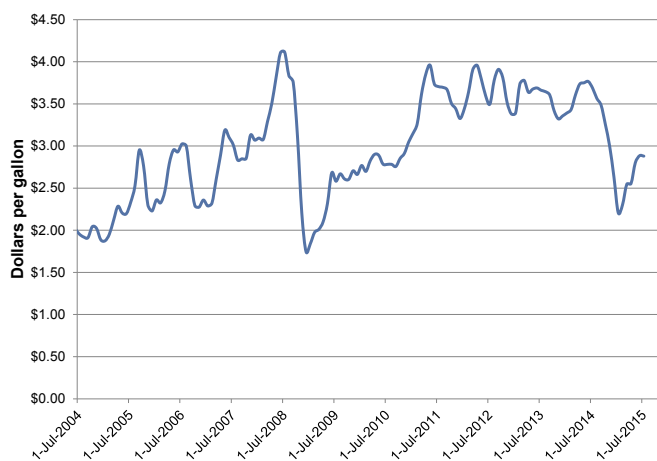
National Economic Indicators

After a sluggish start to 2015, the national economy gets back on track during the second quarter. Real gross domestic product only grew by 0.6 percent during the first quarter of 2015, but saw 2.3 percent growth in the second quarter. In the second quarter of 2015 U.S. personal income increased by 4.2 percent over last year. This was slightly faster than state income growth. Nonfarm employment expanded by 2.1 percent over last June, but only grew by 0.2 percent compared to the May jobs report.

After facing contractions in the first quarter light vehicle sales and housing starts both bounced back during the second quarter of

2015. Light vehicle sales grew by 3.5 percent compared to 2014Q2 and 2.8 percent compared to the previous quarter, while housing starts expanded by 14.1 percent over last quarter and 13.4 percent over 2014Q2. Retail gasoline prices have slowly recovered since a steep decline starting in 2014Q3, but prices flattened out in July 2015. After growing by 3.0 percent between May and June, retail gasoline prices fell by 0.2 percent in July. At \$2.88/gallon July’s gas prices are still 21.9 percent lower than they were a year ago. The price of crude oil also fell below \$50/barrel in July, marking an 18.0 percent drop compared to a month ago.

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) [2015Q2]	15,220	1.0	4.2
Real GDP (2009 billions of dollars) [2015Q2]	16,270	2.3	2.3
Consumer price index (1982-84 = 1.00) [2015Q2]	2.37	0.7	0.0
Light vehicle sales (millions) [2015Q2]	17.07	2.8	3.5
Housing starts (millions) [2015Q2]	1.12	14.1	13.4
Federal funds rate (%) [2015Q2]	0.13	15.0	35.6
30-year fixed mortgage rate (%) [2015Q2]	3.83	2.7	-9.4
S&P 500 stock index [2015Q2]	2,102	1.9	10.6
Retail Gasoline Prices (dollars per gallon) - monthly [2015-July]	2.88	-0.2	-21.9
Total nonfarm employment (in thousands) - monthly [2015-June]	141,842	0.2	2.1

Unemployment Rate (%)					
June 2015		May 2015		June 2014	
Rate		Rate	Change	Rate	Change
5.3		5.5	-0.2	6.1	-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, and Bureau of Labor Statistics.