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Tennessee Secretary of State

Tre Hargett

QUARTERLY BUSINESS AND ECONOMIC INDICATORS

Third Quarter 2014

November 2014

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Business Filings Overview

Business filings were mixed during the third quarter of 2014. New entity filings grew in 2014Q3 while annual reports shrunk as compared to this time last year. Dissolutions increased over last year and initial trademarks fell during this same period. As of October 1, 2014 there were 220,939 active entities in Tennessee, which was 5.0 percent lower than the number registered in the previous quarter.

An increase in new entity filings suggests broader economic growth in Tennessee. The number of new business filings in a quarter is a good leading indicator of total employment, personal income, and total tax revenue in the state. Total new entity filings over the last three months are up 4.0 percent compared to the previous quarter, suggesting that broader economic growth in Tennessee should continue into the near future.

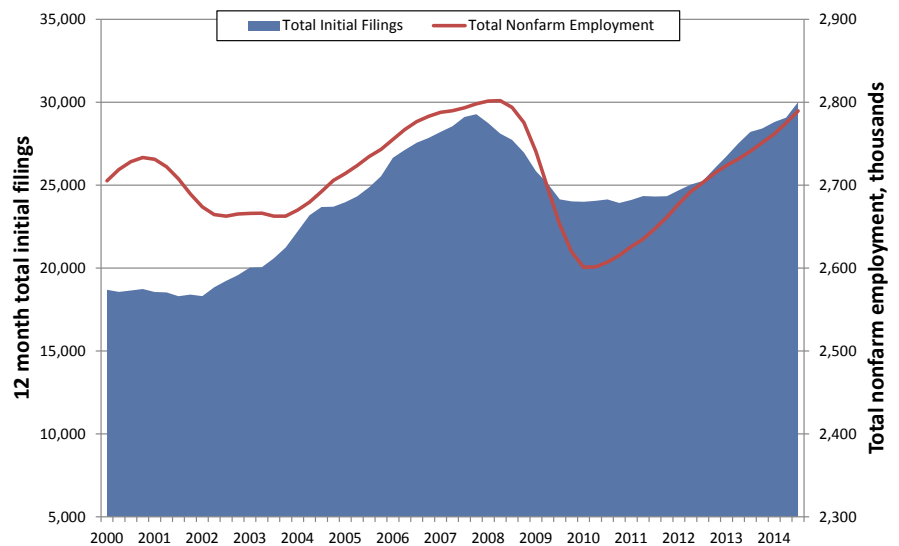
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Figure 1: Tennessee Employment and New Entity Filings



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

EMPLOYMENT FORECASTS

Q4 2014 vs Q3 2014 ▲

Q4 2014 vs Q4 2013 ▲

Q1 2015 vs Q1 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 ▼

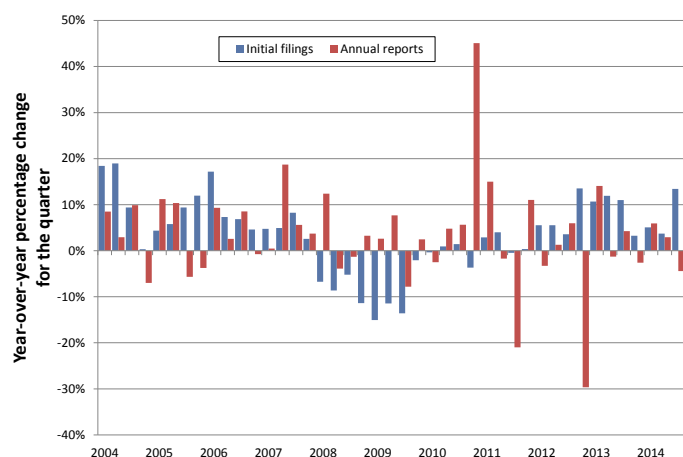
Unemployment

vs. prior month ▼
 vs. prior year ▼

Initial Filings

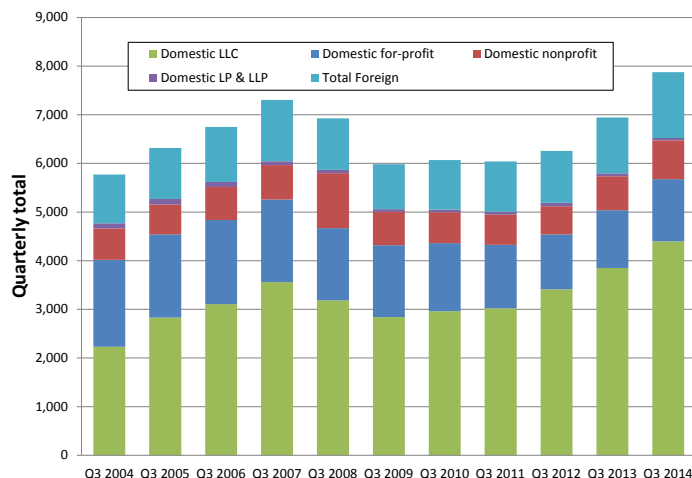
Tennessee recorded 13.4 percent more new entity filings in the third quarter of 2014 as compared to the same quarter last year. This marks the twelfth consecutive quarter of positive year-over-year growth. Domestic for-profit corporations, nonprofits, limited liability corporations (LLCs), and foreign entities all experienced year-over-year gains, with foreign entities showing the fastest growth compared to last year. Roughly 83.0 percent of all new entity filings were from domestic firms while 17.0 percent were from foreign entities. New filings were up 4.0 percent compared to the previous quarter. This was the first time since 2010 that third quarter filings exceeded those of the second quarter.

Figure 2: Initial Filings and Annual Reports



Source: TN Business Filing Data.

Figure 3: Initial Filings



Source: TN Business Filing Data.

Annual Reports

Annual reports contracted (year-over-year) during the third quarter as compared to the third quarter of 2013. In the third quarter there were 20,019 annual reports filed, representing a 4.4 percent drop compared to 2013Q3. Roughly 86.0 percent of renewals came from domestic firms, and 14.0 percent were registered by foreign entities. Domestic nonprofit corporations showed a small year-over-year increase in annual reports while renewals among all other entities (domestic for-profit, LLCs, limited liability partnerships (LLPs), and

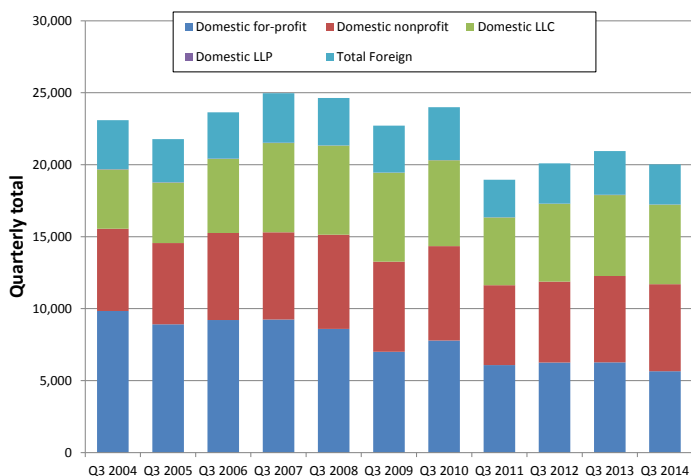
TABLE 1: BUSINESS FILINGS – QUARTERLY

	Current Quarter (2014 Q3)	% Change (over last quarter)	% Change (year-over-year)
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,280	5.60	7.9
Domestic Nonprofit Corporations	797	12.10	14.2
Domestic LLC	4,396	3.30	14.2
Foreign Entities - Total	1,353	0.20	18
Total Business Entity New Filings	7,875	4.00	13.4
Business Entity Annual Reports			
Domestic For-Profit Corporations	5,654	-60.9	-9.7
Domestic Nonprofit Corporations	6,046	-31.9	0.7
Domestic LLC	5,520	-73.9	-1.8
Domestic LLP	14	-80.3	-12.5
Foreign Entities - Total	2,785	-58.4	-8.4
Total Business Entity Annual Reports	20,019	-60.9	-4.4
Other Business Filings			
Dissolutions	21,649	1322.4	6.2
Initial Trademark Registrations	214	20.9	-18.9
Initial Assumed Name Registrations	980	6.9	4.4

Source: TN Business Filing Data

foreign entities) fell during the third quarter. Compared to the previous quarter annual reports fell by 60.9 percent. This is simply a result of the fiscal year schedule as many entities are administratively dissolved in August for failure to file their annual report. This results in a large contraction in annual reports every August and is not indicative of overall economic activity.

Figure 4: Annual Reports



Source: TN Business Filing Data.

Dissolutions

Dissolution filings saw a slight year-over-year increase in the third quarter of 2014. Specifically, there were 21,649 dissolutions

filed, which was up 6.2 percent compared to this time last year. Compared to the previous quarter dissolutions increased by over 1,300 percent in 2014Q3. As was mentioned in the previous section, many entities are administratively dissolved in August for failure to file their annual report, leading to a large drop in annual reports. Similarly, there is a large spike in dissolutions every August for the same reason. This is a common seasonal pattern and does not suggest any significant changes in broader economic activity.

Tennessee Economic Indicators

Current economic data show positive growth and are consistent with gains in initial filings of new business entities in Tennessee. Year-over-year growth in personal income was 4.1 percent and total tax revenue collections were up 4.7 percent compared to 2013Q3. Franchise and excise tax collections grew 12.3 percent compared to last year's low collections and were also 5.6 percent higher than collections during the third quarter of 2012.

In the Tennessee labor market, nonfarm employment grew by 2.2 percent or 60.7 thousand jobs and the manufacturing sector saw employment gains of 2.1 percent or 6.1 thousand jobs compared to September of last year. Preliminary estimates have the Tennessee unemployment rate at 7.3 percent in September (compared to 7.4 percent in August). This is well above the current national rate of 5.9 percent but much lower than the 8.2 percent unemployment rate that Tennessee faced a year ago (Figure 5). Given the relatively strong employment growth currently observed in Tennessee (i.e. nonfarm jobs are up 2.2 percent, manufacturing employment has grown 2.1

TABLE 2: TENNESSEE DATA

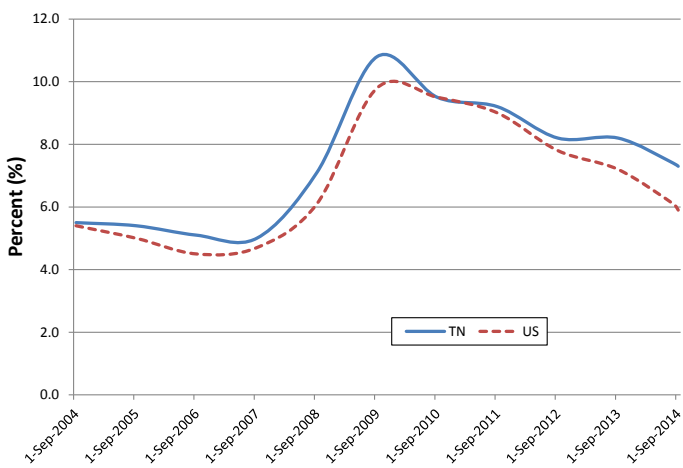
	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2014Q2]	266,526	1.5	4.1
Total tax revenue (millions of dollars) [2014Q3]	2,963	-17.5	4.7
Sales tax revenue (millions of dollars) [2014Q3]	1,907	2.6	5.0
Franchise & excise tax revenue (millions of dollars) [2014Q3]	422	-49.5	12.3
Total nonfarm employment (in thousands) - monthly monthly [2014-September]	2,817	0.2	2.2
Manufacturing employment (in thousands) - monthly monthly [2014-September]	326	0.5	2.1
Mining, logging, & construction employment (in thousands) - monthly monthly [2014-September]	114	-0.2	6.4
Unemployment Rate (%)			
September 2014	August 2014		September 2013
Rate	Rate	Change	Rate
7.3	7.4	-0.1	8.2
			Change
			-0.9

^a Periods 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 [2014Q2], Tennessee Department of Revenue [2014Q3], Bureau of Labor Statistics [2014-September]

percent, and mining, logging and construction jobs are up 6.4 percent compared to last year) we should probably not place too much weight on the state's high unemployment rate as it is not consistent with the rest of the labor market data.

Figure 5: Unemployment Rate



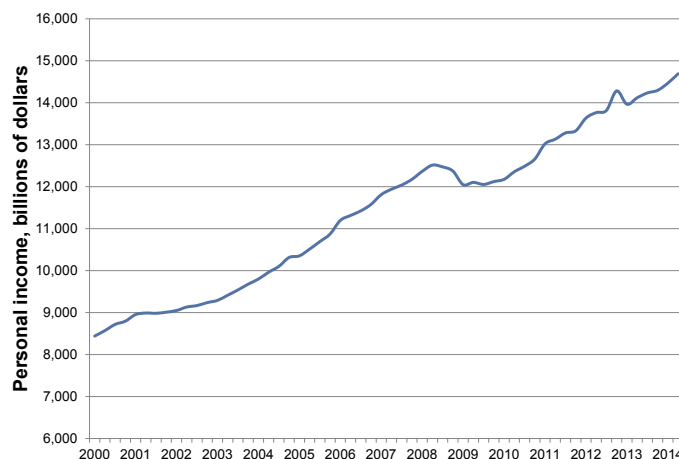
Source: Bureau of Labor Statistics.

National Economic Indicators

The national economy continues to see solid growth in 2014Q3. Year-over-year growth in GDP reached 2.4 percent in the third quarter of 2014, and increased 3.7 percent over last quarter. U.S.

personal income growth increased to 4.1 percent compared to the third quarter of 2013 and is right in line with personal income growth in Tennessee. Total nonfarm employment expanded by 1.9 percent in the U.S., which is slightly slower than the 2.1 percent employment growth recorded in Tennessee. The overall price level, as measured by the consumer price index, increased by 1.8 percent over 2013Q3. Light vehicle sales continue to rebound, showing year-over-year growth of 7.1 percent.

Figure 6: U.S. Nominal Personal Income



Source: Bureau of Economic Analysis.

TABLE 3: NATIONAL DATA

	Current Period ^a	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2014Q2]	14,689	1.5	4.1
Real GDP (2009 billions of dollars) [2014Q3]	16,157	3.7	2.4
Consumer price index (1982-84 = 1.00) [2014Q3]	2.38	0.2	1.8
Light vehicle sales (millions) [2014Q3]	16.75	1.5	7.1
Housing starts (millions) [2014Q3]	1.02	3.2	15.3
Federal funds rate (%) [2014Q3]	0.09	-3.9	7.6
30-year fixed mortgage rate (%) [2014Q3]	4.14	-2.2	-6.8
S&P 500 stock index [2014Q3]	1,993	4.9	19.0

Unemployment Rate (%)

September 2014		August 2014		September 2013	
Rate		Rate	Change	Rate	Change
5.9		6.1	-0.2	7.2	-1.3

^a Periods 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 [2014Q2], IHS Global Insights [2014Q3], Bureau of Labor Statistics [2014-September].