

THE TN QUARTERLY

BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE
Tre Hargett

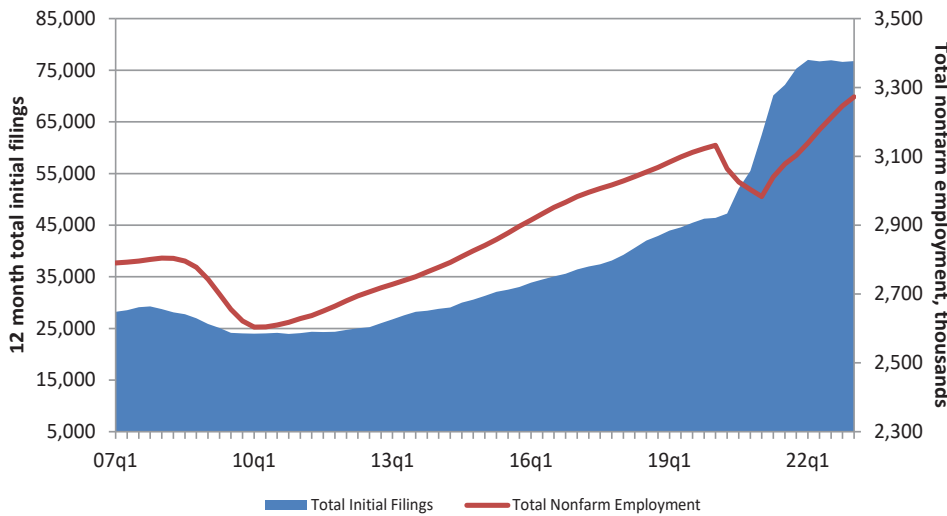
Business Filings Overview

There were 21,516 new business filings and 199,309 annual reports (i.e. business renewals) in the first quarter of 2023, both of which represent record highs for any quarter in the data's history (dating back to 1998). New entity filings rose by 0.8 percent as compared to the already elevated level of initial filings from the first quarter of last year. Business filings data are highly seasonal. For example, the number of new business filings in the first quarter is typically higher than those from the fourth quarter of the previous year. For this reason, we largely focus on year-over-year growth rates. Over the last twelve months, Tennessee has recorded 76,767 new entity filings and 337,760 annual reports.

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Figure 1: Tennessee Employment and New Entity Filings



Source: TN Business Filing Data and Bureau of Labor Statistics.
Note: Nonfarm employment is measured as the 12-month rolling average.

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EMPLOYMENT FORECASTS

Q2 2023 vs Q1 2023 ↑

Q2 2023 vs Q2 2022 ↑

Q3 2023 vs Q2 2023 ↑

INDICATORS

Employment (SA)

March 2023

vs. prior month ↑

vs. prior year ↑

New Entity Filings

2023Q1

vs. prior quarter ↑

vs. prior year ↑

Annual Report Filings

2023Q1

vs. prior quarter ↑

vs. prior year ↑

Unemployment (SA)

March 2023

vs. prior month ↓

vs. prior year ↑

Growth in new entity filings has historically been a good leading indicator for nonfarm employment (Figure 1), personal income, and total tax revenue growth in Tennessee. The small increase in new filings suggests continued economic growth in the near term. Furthermore, the number of new filings remains at historically high levels, signaling a healthy business environment in Tennessee.

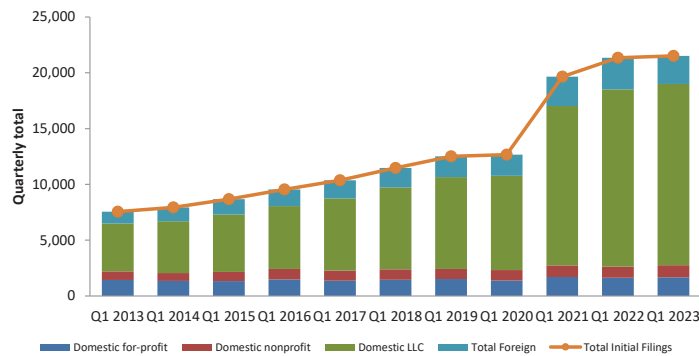
Initial Filings

Tennessee new business filings (i.e. initial filings) saw modest growth in the first quarter of 2023, maintaining the elevated level of filings that began in 2021. Compared to pre-pandemic 2019Q1 levels, new entity filings are up by a remarkable 72 percent (Figure 2). Initial filings from domestic nonprofit corporations grew by a robust 9.6 percent over the first quarter of last year, and filings from both domestic limited liability

corporations (LLCs) and domestic for-profit corporations rose by 2.3 percent each. In contrast, filings from foreign (non-Tennessee based) entities fell by 11.6 percent. Domestic firms accounted for 88.3 percent of all first quarter initial filings, while foreign entities accounted for the remaining 11.7 percent.

There were 9,533 new entities registered among the four largest Tennessee counties: Davidson, Shelby, Knox, and Hamilton, representing a 0.8 percent increase over the first quarter of 2022 (Table 2). New entity filings in the other 91 counties grew by a comparable 0.7 percent over the same period. Initial filings from these four counties accounted for 44.3 percent of the state’s new business filings in the first quarter. During this period, Davidson County registered the highest number of new filings (3,653) followed by Shelby County (3,106), while Knox County saw the strongest year-over-year growth in new filings (up 18.4 percent).

Figure 2: Initial Filings



Source: Tennessee Business Filing Data.

Table 2: Initial Filings among 4 Largest TN Counties, 2023Q1

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	3,653	6.3%
2	Shelby	3,106	-11.6%
3	Knox	1,617	18.4%
4	Hamilton	1,157	1.4%
Total		9,533	0.8%

Source: Tennessee Business Filing Data.

TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2023 Q1)	% Change (year-over-year)	Running 12-Month Total
Business Entity Initial Filings			
Domestic For-Profit Corporations	1,671	2.3%	5,903
Domestic Nonprofit Corporations	1,081	9.6%	4,021
Domestic LLC	16,257	2.3%	56,091
Foreign Entities - Total	2,507	-11.6%	10,752
Total Business Entity New Filings	21,516	0.8%	76,767
Business Entity Annual Reports			
Domestic For-Profit Corporations	31,252	2.0%	55,453
Domestic Nonprofit Corporations	21,736	5.3%	45,287
Domestic LLC	98,176	16.1%	162,295
Foreign Entities - Total	48,145	17.6%	73,546
Total Business Entity Annual Reports	199,309	12.7%	337,760
Total Active Entities	388,783	4.6%	-
Other Business Filings			
Dissolutions	3,563	-8.5%	66,498
Initial Trademark Registrations	261	569.2%	605
Initial Assumed Name Registrations	2,532	13.7%	8,809

Source: Tennessee Business Filing Data.

Annual Reports and Dissolutions

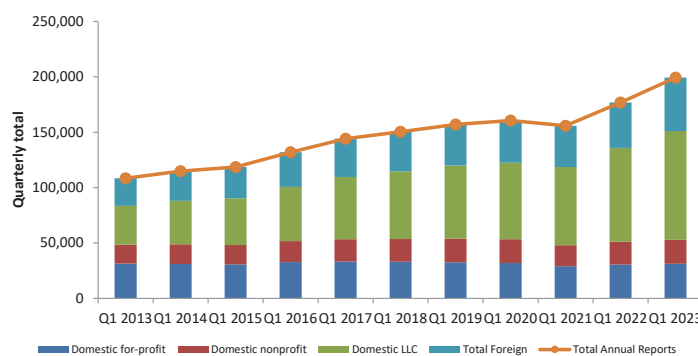
There were 199,309 annual reports (i.e. renewals) recorded in the first quarter of 2023, representing a very strong 12.7 percent increase over the first quarter of 2022. Business renewals growth was strongest among foreign entities (up 17.6 percent), followed by domestic LLCs (up 16.1 percent). Annual reports of domestic nonprofit corporations and domestic for-profit corporations also grew by 5.3 percent and 2.0 percent respectively. In the first quarter of 2023, domestic firms accounted for 75.8 percent of all annual reports, and foreign entities accounted for the remaining 24.2 percent.

There were 3,563 dissolutions filed in the first quarter of 2023, representing an 8.5 percent decline as compared to the same quarter last year. Despite this reduction, this is still a very small number of dissolutions for a three-month period and is not indicative of any underlying economic trends or business conditions. The majority of dissolutions typically occur in the third quarter of each year when entities are administratively dissolved for failing to file their annual report.

Tennessee Economic Indicators

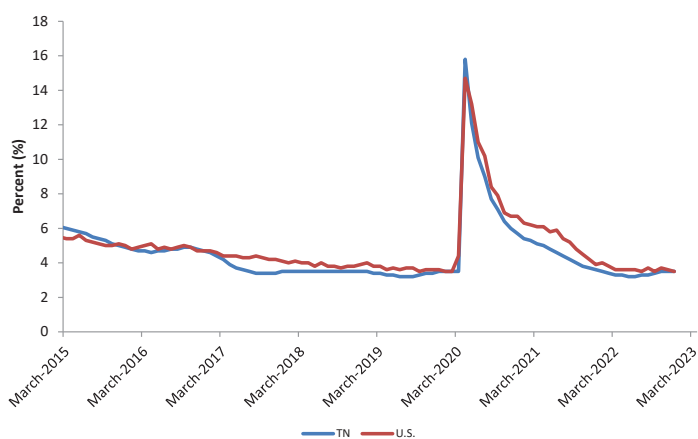
Tennessee sees decent economic growth in the first quarter of 2023. In March, nonfarm employment increased by a moderate 0.05 percent, representing a net increase of 1,700 jobs over the last month and an addition of 96.9 thousand jobs over the last 12 months. Tennessee’s unemployment sits at 3.4 percent, which is one-tenth of a percentage point lower than the previous

Figure 3: Annual Reports



Source: Tennessee Business Filing Data.

Figure 4: Unemployment Rate



Source: Bureau of Labor Statistics.

TABLE 3: TENNESSEE DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (millions of dollars) [2022Q4]	422,562	8.6%	7.2%
Total tax revenue (millions of dollars) - monthly [2023-March]	1,612	-	4.3%
Sales tax revenue (millions of dollars) - monthly [2023-March]	1,031	-	7.3%
Franchise & excise tax revenue (millions of dollars) - monthly [2023-March]	339	-	5.8%
Total nonfarm employment (in thousands) - monthly [2023-March]	3,311	0.05%	3.0%
Manufacturing employment (in thousands) - monthly [2023-March]	369	0.4%	2.2%
Leisure and hospitality employment (in thousands) - monthly [2023-March]	363	0.7%	7.1%

Unemployment rate (%)	March 2023		February 2023		March 2022	
	Rate	Change	Rate	Change	Rate	Change
	3.4	-0.1	3.5	-0.1	3.3	0.1

Sources in order as metrics appear and dates in brackets indicate most recent data available at time of publication: Bureau of Economic Analysis, TN Department of Revenue, Bureau of Labor Statistics.

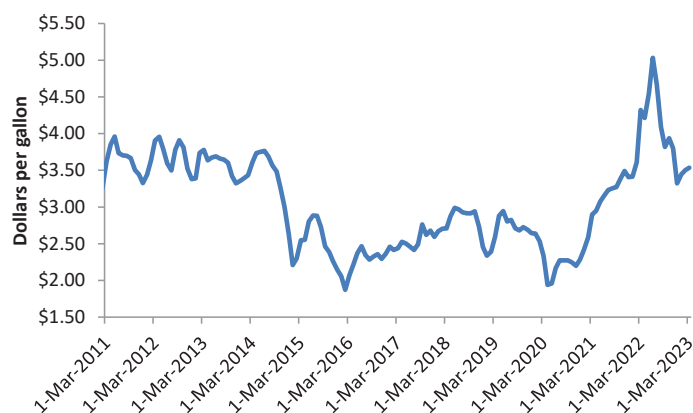
Note: Month-to-month growth rates are informative if the underlying data are seasonally adjusted, but can be misleading otherwise. For this reason, month-to-month growth rates are excluded for any non-seasonally adjusted data.

month's reading and one-tenth of a point lower than the national rate (Figure 4). In the fourth quarter of 2022, nominal personal income in Tennessee was \$422.6 billion, representing a robust annualized increase of 8.6 percent over the previous quarter. Even after adjusting for inflation, real personal income grew by 4.6 percent. In March 2023, Tennessee tax revenues rose by 4.3 percent compared to the same month last year, and tax revenues are up by 7.3 percent for the fiscal year-to-date (August 2022 through March 2023).

National Economic Indicators

U.S economic growth slowed but remained positive in the first quarter of 2023. In the first quarter, inflation-adjusted gross domestic product (real GDP) rose by an annualized rate of just 1.1 percent, as inflation and higher interest rates led to slower economic growth. Consumption spending remains a bright spot in the economy, as consumers continued to spend through the first three months of the year. As a result, real consumption spending rose by 3.7 percent. However, gains in consumption spending were counteracted by a large contraction in residential fixed investment and a reduction in business inventory investment. Nominal personal income advanced at an annualized rate of 5.1 percent in the first quarter. However, after adjusting for inflation, real personal income rose by an annualized rate of 3.6 percent in the fourth quarter of 2022 but a much slower 0.9 percent in the first quarter of 2023.

Figure 5: Retail Gasoline Prices – All Grades



Source: Energy Information Administration.

In March, nonfarm employment grew by 0.2 percent, as 236 thousand workers were added to payrolls since the month prior. The Consumer Price Index (CPI) rose by 0.1 percent in March, which was the smallest increase since last July. Year-over-year, the CPI currently sits at 5.0 percent, which is its lowest reading since April 2021, but is still well above the Federal Reserve's target rate of around 2 percent. Retail gasoline prices currently rest at \$3.54/gallon as of March, representing a 1 percent increase over the month prior, but an 18.2 percent drop compared to March of last year (Figure 5).

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2023Q1]	22,647	5.1%	6.2%
Real GDP (2012 billions of dollars) [2023Q1]	20,236	1.1%	1.6%
Consumer price index (1982-84 = 1.00) [2023-March]	3.02	0.1%	5.0%
Light vehicle sales (millions) [2023Q1]	15.28	6.6%	8.2%
Housing starts (millions) [2023Q1]	1.37	-2.2%	-20.5%
Federal funds rate (%) [2023Q1]	4.52	23.6%	3663.4%
30-year fixed mortgage rate (%) [2023Q1]	6.31	-4.9%	61.9%
S&P 500 stock index [2023Q1]	4,000	3.8%	-10.5%
Retail Gasoline Prices (dollars per gallon) - monthly [2023-March]	3.54	1.0%	-18.2%
Total nonfarm employment (in thousands) - monthly [2023-March]	155,569	0.2%	2.7%

Unemployment rate (%)

March 2023		February 2023		March 2022	
Rate		Rate	Change	Rate	Change
3.4		3.5	-0.1	3.3	0.1

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