

# THE TN QUARTERLY

## BUSINESS AND ECONOMIC INDICATORS

TENNESSEE SECRETARY OF STATE  
Tre Hargett

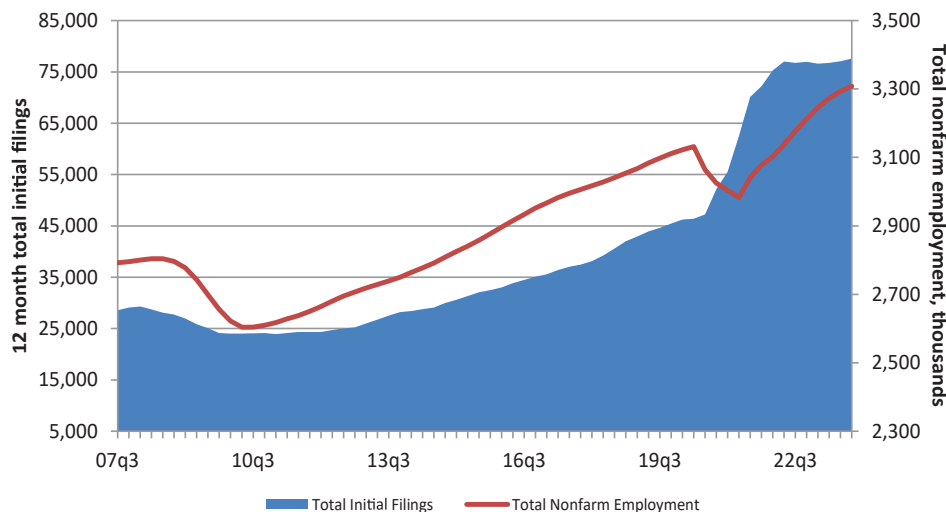
### Business Filings Overview

Tennessee recorded 19,304 new business filings in the third quarter of 2023. This was the largest number of third quarter new filings in the data's history (dating back to 1998), and thus far, each quarter of 2023 has seen the largest number of new filings in the data's history for that given quarter. There were 32,954 annual reports (i.e. business renewals), representing a 5.2 percent drop compared to the elevated number of business renewals from the third quarter of last year. Business filings data are highly seasonal. For example, the number of new business filings in the third quarter is typically lower than those from the second quarter. For this reason, we largely focus on year-over-year growth rates. Over the last twelve months, Tennessee has recorded 77,596 new entity filings and 331,310 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

Q4 2023 vs Q3 2023



Q4 2023 vs Q4 2022



Q1 2024 vs Q4 2023



### INDICATORS

#### Employment (SA)

September 2023

vs. prior month



vs. prior year



#### New Entity Filings

2023Q3

vs. prior quarter



vs. prior year



#### Annual Report Filings

2023Q3

vs. prior quarter



vs. prior year



#### Unemployment (SA)

September 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. Third quarter growth in new entity filings suggests continued economic momentum in the state for the near term.

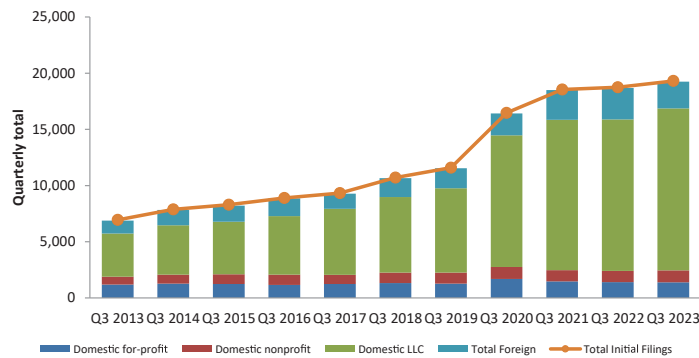
## Initial Filings

**New business filings (i.e. initial filings) saw moderate growth in the third quarter of 2023.** Compared to the third quarter of last year, new filings are up by 2.9 percent (Figure 2). Initial filings from domestic limited liability corporations (LLCs) grew by 6.8 percent over the third quarter of last year, and those from domestic nonprofit corporations increased by 5.8 percent. By comparison, filings from foreign (non-Tennessee based)

entities declined by 15.0 percent and those from domestic for-profit corporations fell by 0.2 percent. Domestic firms accounted for 87.6 percent of all third quarter initial filings, while foreign entities accounted for the remaining 12.4 percent.

There were 8,514 new entities registered among the four largest Tennessee counties: Davidson, Shelby, Knox, and Hamilton, representing a 3.1 percent increase over the third quarter of 2022 (Table 2). New entity filings in the other 91 counties grew by a slightly slower 2.8 percent over the same period. Initial filings from these four counties accounted for 44.1 percent of the state's new business filings in the third quarter. During this period, Davidson County registered the highest number of new filings (3,270) followed by Shelby County (2,371). However, Knox County continues to see the strongest rate of year-over-year growth in new filings (up a very robust 54.2 percent).

**Figure 2: Initial Filings**



**Table 2: Initial Filings among 4 Largest TN Counties, 2023Q3**

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	3,270	7.4%
2	Shelby	2,371	-22.1%
3	Knox	1,837	54.2%
4	Hamilton	1,036	5.6%
Total		8,514	3.1%

Source: Tennessee Business Filing Data.

**TABLE 1: BUSINESS FILINGS – QUARTERLY**

	Current Quarter (2023 Q3)	% Change (year-over-year)	Running 12-Month Total
<b>Business Entity Initial Filings</b>			
Domestic For-Profit Corporations	1,396	-0.2%	5,889
Domestic Nonprofit Corporations	1,066	5.8%	4,132
Domestic LLC	14,454	6.8%	57,588
Foreign Entities - Total	2,388	-15.0%	9,987
Total Business Entity New Filings	19,304	2.9%	77,596
<b>Business Entity Annual Reports</b>			
Domestic For-Profit Corporations	5,155	-8.5%	53,330
Domestic Nonprofit Corporations	6,809	-7.8%	44,038
Domestic LLC	16,259	-1.8%	166,057
Foreign Entities - Total	4,731	-8.9%	66,713
Total Business Entity Annual Reports	32,954	-5.2%	331,310
<b>Total Active Entities</b>	372,374	6.8%	-
<b>Other Business Filings</b>			
Dissolutions	59,589	4.1%	69,175
Initial Trademark Registrations	183	190.5%	915
Initial Assumed Name Registrations	2,443	10.5%	9,295

Source: Tennessee Business Filing Data.

## Annual Reports and Dissolutions

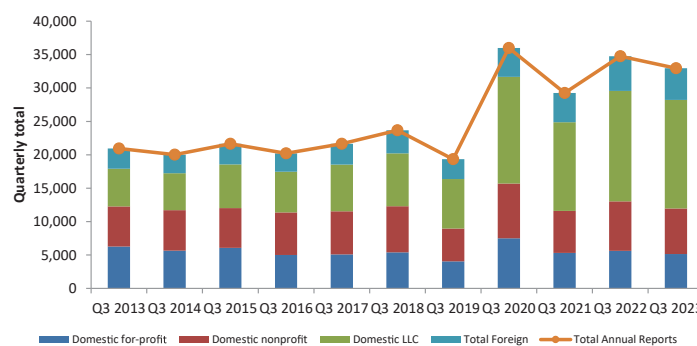
Tennessee recorded 32,954 annual reports (i.e. renewals) in the third quarter of 2023, representing a 5.2 percent decrease as compared to the elevated level of renewals from the third quarter of 2022. All business structures saw a reduction in renewals, with foreign entities seeing the steepest decline (down 8.9 percent) followed by domestic for-profit corporations (down 8.5 percent). In the third quarter of 2023, domestic firms accounted for 85.6 percent of all annual reports, and foreign entities accounted for the remaining 14.4 percent.

There were 59,589 dissolutions filed in the third quarter of 2023, representing a 4.1 percent increase over the same quarter last year. The majority of dissolutions typically occur in the third quarter of each year as entities are administratively closed on August 1 for failing to file an annual report. Thus, more businesses dissolved this year than in 2022. However, this could merely reflect the historically high level of business formations observed over the last four years. As a result, the number of business closings (i.e. dissolutions) has also risen as some proportion of new businesses do not remain in operation from one year to the next.

## Tennessee Economic Indicators

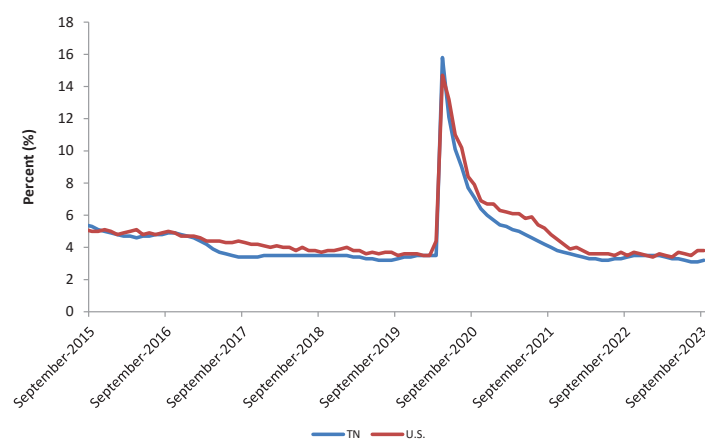
**Strong economic growth continues into the third quarter for Tennessee.** In September, nonfarm employment rose by 0.3 percent, representing a healthy increase of 8,700 jobs over the month prior and an addition of 54,000 jobs over the last 12 months. Tennessee's September unemployment rate sits at 3.2

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) [2023Q2]	433,637	4.2%	6.4%
Total tax revenue (millions of dollars) - monthly [2023-September]	2,179	-	1.4%
Sales tax revenue (millions of dollars) - monthly [2023-September]	1,136	-	2.9%
Franchise & excise tax revenue (millions of dollars) - monthly [2023-September]	756	-	-2.5%
Total nonfarm employment (in thousands) - monthly [2023-September]	3,329	0.3%	1.6%
Manufacturing employment (in thousands) - monthly [2023-September]	370	0.0%	0.2%
Leisure and hospitality employment (in thousands) - monthly [2023-September]	361	0.6%	7.1%
Unemployment rate (%)			
	September 2023	August 2023	September 2022
	Rate	Rate	Rate
	3.2	3.1	3.4
		Change	Change
		0.1	-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, TN Department of Revenue, Bureau of Labor Statistics.

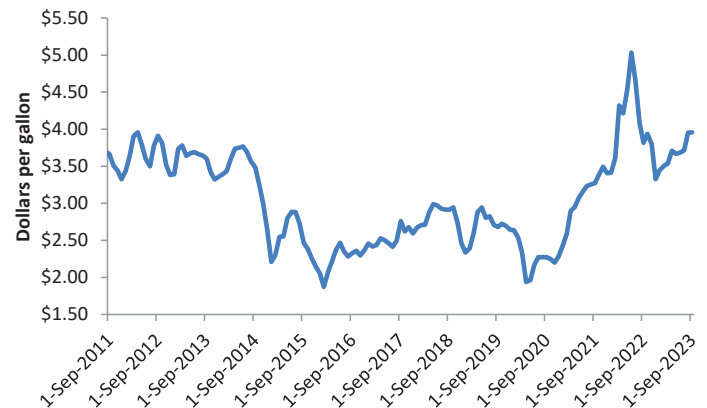
Note: Month-to-month growth rates are informative if the underlying data are seasonally adjusted, but can be misleading otherwise. For this reason, month-to-month growth rates are excluded for any non-seasonally adjusted data.

percent, and is six-tenths of a percentage point lower than the national rate (Figure 4). In the second quarter of 2023, nominal personal income in Tennessee was \$433.6 billion, representing an annualized growth rate of 4.2 percent over the previous quarter. After adjusting for inflation, real personal income grew by 1.7 percent. In September 2023, Tennessee tax revenues rose by a modest 1.4 percent, but this is driven, to some extent, by the three-month food sales tax holiday, and is also compared to an elevated level of collections from the same month last year. For the fiscal year-to-date (August 2023 through September 2023), total tax revenues have grown by 0.8 percent.

## National Economic Indicators

**U.S. economic growth rose sharply in the third quarter of 2023.** In the third quarter, inflation-adjusted gross domestic product (real GDP) advanced at an annualized rate of 4.9 percent. Stronger than expected GDP growth was largely driven by a boost in consumer spending of both goods and services, as well as growth in government spending, and residential investment (i.e. real estate investment). Notably, this was the first quarter of residential investment growth since 2021Q1. Nominal personal income rose by a strong annualized rate of 5.9 percent in the third quarter. After adjusting for inflation, real personal

**Figure 5: Retail Gasoline Prices – All Grades**



Source: Energy Information Administration.

income advanced by an annualized rate of 1.7 percent in the second quarter and 2.4 percent in the third quarter.

In September, nonfarm employment expanded by 0.2 percent over the month prior, and the U.S. added 336,000 workers to nonfarm payrolls. This was the largest one month gain since September of last year. Retail gasoline prices are currently averaging \$3.96/gallon as of September, representing a 0.1 percent increase over the month prior, and a 3.7 percent increase compared to September of last year (Figure 5).

**TABLE 4: NATIONAL DATA**

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2023Q3]	23,083	5.9%	5.1%
Real GDP (2017 billions of dollars) [2023Q3]	22,492	4.9%	2.9%
Consumer price index (1982-84 = 1.00) [2023-September]	3.07	0.4%	3.7%
Light vehicle sales (millions) [2023Q3]	15.65	-0.6%	15.4%
Housing starts (millions) [2023Q3]	1.38	-4.6%	-4.4%
Federal funds rate (%) [2023Q3]	5.26	5.4%	140.2%
30-year fixed mortgage rate (%) [2023Q3]	7.04	8.4%	24.3%
S&P 500 stock index [2023Q3]	4,458	6.0%	12.2%
Retail Gasoline Prices (dollars per gallon) - monthly [2023-September]	3.96	0.1%	3.7%
Total nonfarm employment (in thousands) - monthly [2023-September]	156,874	0.2%	2.1%

### Unemployment rate (%)

September 2023		August 2023		September 2022	
Rate		Rate	Change	Rate	Change
3.8		3.8	0.0	3.5	0.3

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.