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### The TN Quarterly Business and Economic Indicators, Second Quarter 2023

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# THE TN QUARTERLY

## BUSINESS AND ECONOMIC INDICATORS



BOYD CENTER FOR BUSINESS & ECONOMIC RESEARCH

TENNESSEE SECRETARY OF STATE  
Tre Hargett

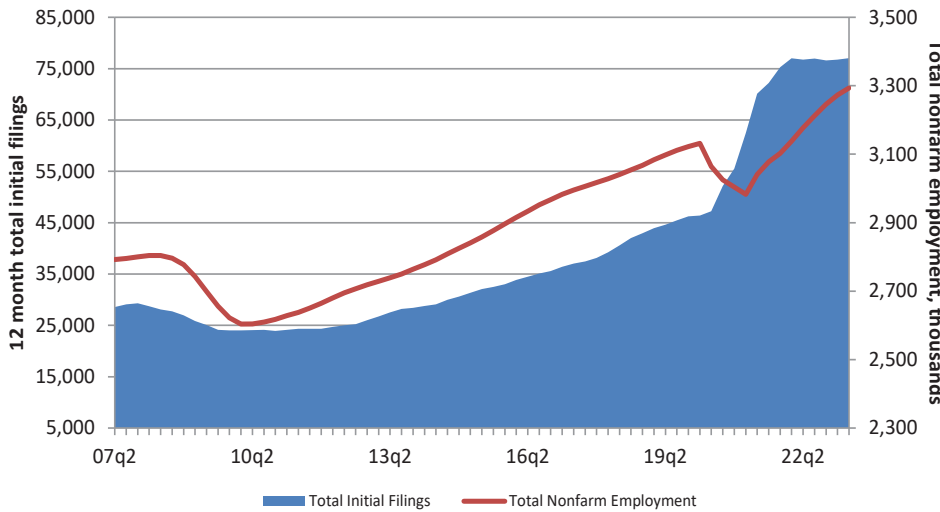
### Business Filings Overview

There were 19,996 new business filings in the second quarter of 2023, representing the highest number of second quarter new filings in the data's history (dating back to 1998). The state also recorded 81,773 annual reports (i.e. business renewals) marking only the second time that second quarter renewals exceeded 80,000. New entity filings rose by a modest 1.4 percent, but this is compared to an already elevated level of initial filings from the second quarter of last year. Business filings data are highly seasonal. For example, the number of new business filings in the second quarter is typically lower than those from the first quarter. For this reason, we largely focus on year-over-year growth rates. Over the last twelve months, Tennessee has recorded 77,044 new entity filings and 333,120 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

Q3 2023 vs Q22023 ↑

Q3 2023 vs Q3 2022 ↑

Q4 2023 vs Q3 2023 ↑

### INDICATORS

#### Employment (SA)

June 2023

vs. prior month ↑

vs. prior year ↑

#### New Entity Filings

2023Q2

vs. prior quarter ↓

vs. prior year ↑

#### Annual Report Filings

2023Q2

vs. prior quarter ↓

vs. prior year ↓

#### Unemployment (SA)

June 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. New entity filings saw marginal gains in the second quarter, suggesting continued economic growth in the near term.

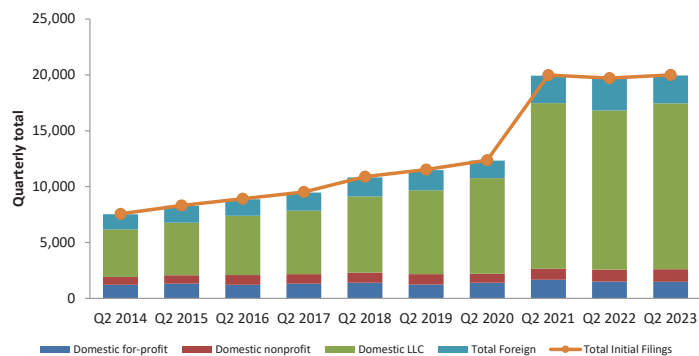
### Initial Filings

**New business filings (i.e. initial filings) grew modestly in the second quarter of 2023, but continue to outpace pre-pandemic levels.** Compared to the second quarter of 2019, new filings are up by 73 percent (Figure 2). Initial filings from domestic nonprofit corporations grew by 4.9 percent over the second quarter of last year, and those from domestic limited liability corporations (LLCs) advanced by 4.0 percent. By comparison,

filings from foreign (non-Tennessee based) entities declined by 12.1 percent and those from domestic for-profit corporations fell by 0.7 percent. Domestic firms accounted for 87.5 percent of all second quarter initial filings, while foreign entities accounted for the remaining 12.5 percent.

There were 8,891 new entities registered among the four largest Tennessee counties: Davidson, Shelby, Knox, and Hamilton, representing a 1.1 percent increase over the second quarter of 2022 (Table 2). New entity filings in the other 91 counties grew by a slightly faster 1.7 percent over the same period. Initial filings from these four counties accounted for 44.5 percent of the state’s new business filings in the second quarter. During this period, Davidson County registered the highest number of new filings (3,467) followed by Shelby County (2,473). However, Knox County saw

**Figure 2: Initial Filings**



Source: Tennessee Business Filing Data.

**Table 2: Initial Filings among 4 Largest TN Counties, 2023Q2**

Rank	County	Current Period	% Change (year-over-year)
1	Davidson	3,467	5.8%
2	Shelby	2,473	-24.1%
3	Knox	1,920	58.4%
4	Hamilton	1,031	-1.4%
Total		8,891	1.1%

Source: Tennessee Business Filing Data.

## TABLE 1: BUSINESS FILINGS - QUARTERLY

	Current Quarter (2023 Q2)	% Change (year-over-year)	Running 12-Month Total
<b>Business Entity Initial Filings</b>			
Domestic For-Profit Corporations	1,488	-0.7%	4,404
Domestic Nonprofit Corporations	1,125	4.9%	2,949
Domestic LLC	14,877	4.0%	41,793
Foreign Entities - Total	2,506	-12.1%	7,902
<b>Total Business Entity New Filings</b>	<b>19,996</b>	<b>1.4%</b>	<b>57,048</b>
<b>Business Entity Annual Reports</b>			
Domestic For-Profit Corporations	13,059	-11.2%	40,750
Domestic Nonprofit Corporations	11,135	-5.7%	33,483
Domestic LLC	46,313	9.5%	120,143
Foreign Entities - Total	11,266	-36.0%	56,001
<b>Total Business Entity Annual Reports</b>	<b>81,773</b>	<b>-5.4%</b>	<b>251,347</b>
<b>Total Active Entities</b>	<b>406,603</b>	<b>4.2%</b>	<b>-</b>
<b>Other Business Filings</b>			
Dissolutions	3,412	11.1%	63,428
Initial Trademark Registrations	254	296.9%	541
Initial Assumed Name Registrations	2,368	12.0%	6,695

Source: Tennessee Business Filing Data.

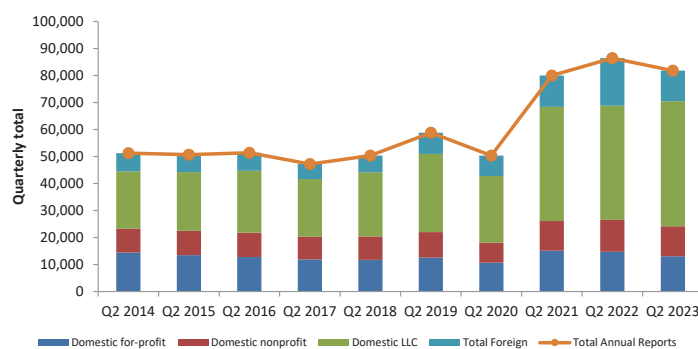
the strongest year-over-year growth in new filings (up a robust 58.4 percent). In fact since the first quarter of 2022, Knox County is the only one among the top-four to experience positive year-over-year growth in every quarter. Among the four largest counties, Knox County also registered the highest growth rate in initial filings in each of the last six quarters.

### Annual Reports and Dissolutions

Tennessee recorded 81,773 annual reports (i.e. renewals) in the second quarter of 2023, representing a 5.4 percent drop relative to the elevated number of renewals in the second quarter of 2022. Annual reports among domestic LLCs grew by 9.5 percent as compared to the second quarter of 2022, but all other business structures saw a reduction in renewals. In the second quarter of 2023, domestic firms accounted for 86.2 percent of all annual reports, and foreign entities accounted for the remaining 13.8 percent.

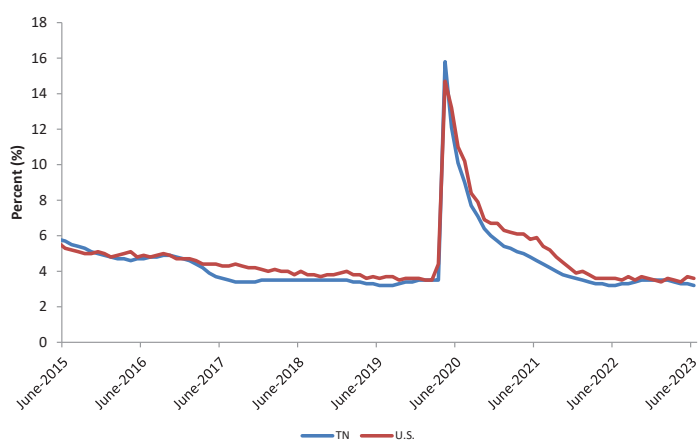
There were 3,412 dissolutions filed in the second quarter of 2023, representing an 11.1 percent increase over the same quarter last year. However, this represents a very small number of dissolutions for a three-month period and is not indicative of any underlying economic trends or business conditions. 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.

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) [2023Q1]	427,513	7.8%	6.6%
Total tax revenue (millions of dollars) - monthly [2023-June]	2,259	-	1.7%
Sales tax revenue (millions of dollars) - monthly [2023-June]	1,202	-	3.2%
Franchise & excise tax revenue (millions of dollars) - monthly [2023-June]	738	-	1.2%
Total nonfarm employment (in thousands) - monthly [2023-June]	3,325	0.3%	2.6%
Manufacturing employment (in thousands) - monthly [2023-June]	371	0.4%	1.8%
Leisure and hospitality employment (in thousands) - monthly [2023-June]	359	0.3%	7.1%

Unemployment rate (%)					
June 2023		May 2023		June 2022	
Rate	Change	Rate	Change	Rate	Change
3.2	-0.1	3.3	-0.1	3.2	0.0

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.

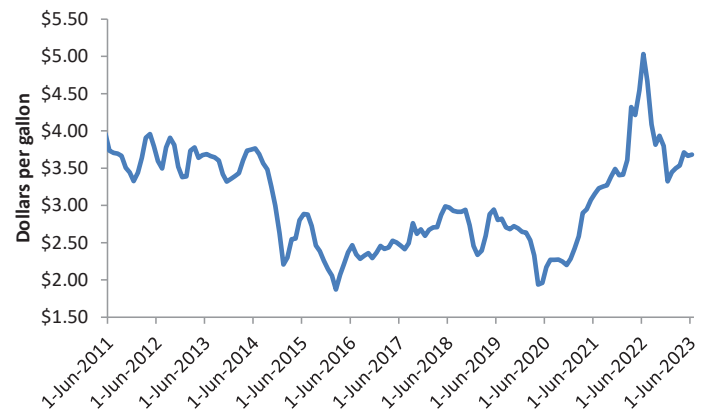
### Tennessee Economic Indicators

Tennessee saw strong gains in the second quarter of 2023. In June, nonfarm employment advanced by 0.3 percent, representing a robust increase of 9,500 jobs over the month prior and an addition of 84,600 jobs over the last 12 months. Tennessee’s June unemployment rate rests at 3.2 percent, matching an all-time low, and is four-tenths of a percentage point lower than the national rate (Figure 4). In the first quarter of 2023, nominal personal income in Tennessee was \$427.5 billion, representing a very strong annualized increase of 7.8 percent over the previous quarter. Even after adjusting for inflation, real personal income grew by 3.6 percent. In June 2023, Tennessee tax revenues rose by a modest 1.7 percent, but this is compared to an elevated level of collections from the same month last year. For the fiscal year-to-date (August 2022 through June 2023), total tax revenues have grown by 5.1 percent.

### National Economic Indicators

The U.S economy continued to show strength in the second quarter of 2023. In the second quarter, inflation-adjusted gross domestic product (real GDP) rose by an annualized rate of 2.4 percent. GDP growth was bolstered by gains in consumption spending, especially on services, as well as growth in business investment, and government spending. These gains were partially offset by reductions in exports and residential investment. Nominal personal income rose by an annualized rate

Figure 5: Retail Gasoline Prices – All Grades



Source: Energy Information Administration.

of 4.3 percent in the second quarter. However, after adjusting for inflation, real personal income rose by an annualized rate of only 0.9 percent in the first quarter and 1.6 percent in the second quarter.

In June, nonfarm employment grew by 0.1 percent, as nonfarm payrolls rose by 209,000 over the month prior. The Consumer Price Index (CPI) grew by a temperate 0.2 percent in June, and the year-over-year CPI currently sits at 3.0 percent. This is the lowest inflation rate since March 2021. Retail gasoline prices are currently averaging \$3.54/gallon as of June, representing a 0.5 percent increase over the month prior, but a 26.8 percent reduction compared to June of last year (Figure 5).

TABLE 4: NATIONAL DATA

	Current Period	% Change (over last period)	% Change (year-over-year)
Personal income (billions of dollars) [2023Q2]	22,755	4.3%	5.5%
Real GDP (2012 billions of dollars) [2023Q2]	20,404	2.4%	2.6%
Consumer price index (1982-84 = 1.00) [2023-June]	3.04	0.2%	3.0%
Light vehicle sales (millions) [2023Q2]	15.61	2.3%	17.4%
Housing starts (millions) [2023Q2]	1.48	6.8%	-9.5%
Federal funds rate (%) [2023Q2]	4.99	10.5%	547.9%
30-year fixed mortgage rate (%) [2023Q2]	6.54	2.9%	22.7%
S&P 500 stock index [2023Q2]	4,204	5.0%	2.3%
Retail Gasoline Prices (dollars per gallon) - monthly [2023-June]	3.68	0.5%	-26.8%
Total nonfarm employment (in thousands) - monthly [2023-June]	156,204	0.1%	2.5%

Unemployment rate (%)

June 2023		May 2023		June 2022	
Rate	Change	Rate	Change	Rate	Change
3.6	-0.1	3.7	-0.1	3.6	0.0

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.