

## Secretary of State Business Filings Q1 2018 Data Analysis Summary

- New entity filings recorded strong growth in Q1 2018.
- State employment projections show an acceleration in growth expectations for 2018.
- Colorado economy continues to be fundamentally strong.
- Wage growth accelerated in the state, but inflation also increased.

### COLORADO INDICATORS

#### Employment (SA)



vs. prior quarter



vs. prior year

#### Existing Entity Renewals



vs. prior quarter



vs. prior year

#### New Entity Filings



vs. prior quarter



vs. prior year

#### Unemployment



vs. prior quarter



vs. prior year

### EMPLOYMENT FORECASTS



Q2 2018 vs. Q1 2018

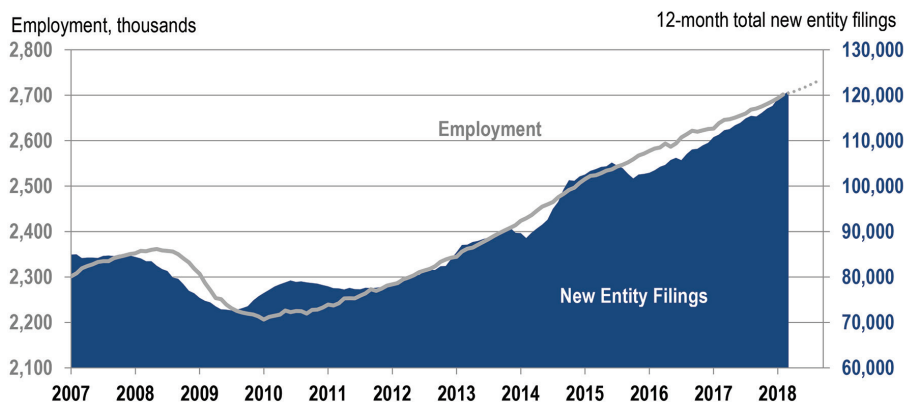


Q2 2018 vs. Q2 2017



Q3 2018 vs. Q2 2018

## Employment and New Entity Filings



Note: Solid line displays actual seasonally adjusted employment numbers; dotted line reflects calculated forecasts.

Source: Seasonally adjusted, Colorado total nonfarm employees from the Bureau of Labor Statistics, Current Employment Statistics (CES), calculations by BRD research team.

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## Secretary of State Business Filings Q1 2018 Data Analysis Summary

**Job expectations boosted by strong start in 2018.** Total new entity filings increased 9.9% year-over-year in Q1 2018 and 31.6% compared to last quarter. Over the 12 months ending in Q1 2018, a total of 120,870 new business filings were recorded. Given the relationship between new business filings, new business formation, and employment growth, the increase in filings points to job growth in the state for the near term in 2018.

**Existing entity filings up over 2017.** Existing entity renewals increased to 148,528 in Q1 2018, a bump of 6.2% year-over-year. Entities in good standing reached 677,537 in Q1 2018—a record for Colorado.

**Colorado business leaders' optimism remained high ahead of Q2 and Q3 2018.** Business leaders' confidence increased ahead of Q2 and Q3, with a large increase in state expectations. Overall, panelists remained bullish on sales, profits, hiring, and capital expenditures for their industries in 2018.

**Strong GDP growth.** The domestic economy continued to expand in Q4 2017, posting positive real GDP growth for the 15th consecutive quarter. GDP increased by 1.2% in Q1 2017, 3.1% in Q2 2017, 3.2% in Q3 2017, and 2.5% in Q4 2017. For 2017 as a whole, real GDP increased by 2.3%. According to the Bureau of Economic Analysis, the Q4 increase reflected positive contributions from personal consumption, residential and nonresidential fixed investment, and government spending. However, the current account deficit increased as import growth outpaced export growth.

According to the Bureau of Labor Statistics, a total of 103,000 jobs were added nationally in March 2018, a slowdown from the prior two months. Employment growth in the first quarter of 2018 averaged 202,000 compared to 177,000 in the first quarter of 2017. The national unemployment rate was 4.1% in March for the sixth consecutive month. Total

personal income increased \$632.4 million in Q4 2017 year-over-year, a 3.9% year-over-year increase according to the Bureau of Economic Analysis. Initial jobless claims were 226,000 in March, and continuing claims were 1.8 million nationwide.

A 12-month trailing total of retail and food services sales showed an increase of 4.4% year-over-year nationally. Gasoline prices increased 14% over the last 12 months. According to the Consumer Price Index, national prices increased 2.1% in February 2018 year-over-year, just above the Fed target rate, while core inflation (all items less food and energy) rose 1.8% and shelter climbed 3.1%.

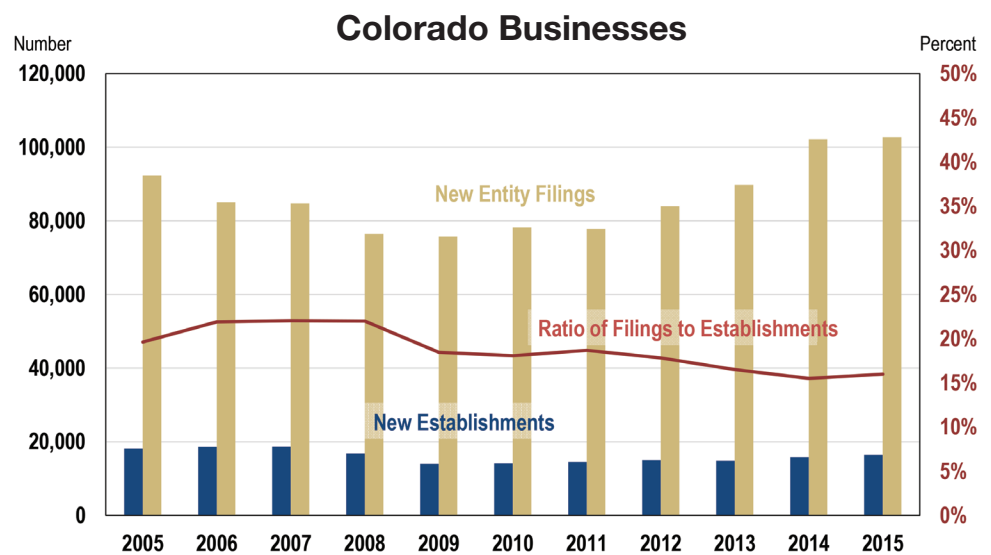
In Colorado, prices increased 3.7% in the second half of 2017, while core inflation and shelter rose 3.4% and 4.9%, respectively, according to the Denver-Boulder-Greeley index.

Colorado's economy grew 3% year-over-year in Q3 2017, according to the Bureau of Economic Analysis. In February 2018, Colorado added approximately 63,400 jobs year-over-year (2.4%). Based on data from

the Bureau of Labor Statistics, year-over-year total wages and wages per employee for the 12 months ending in Q3 increased 4.8% and 2.7%, respectively, in Colorado.

Building permits increased 6.5% nationally for the 12 months ending in February based on Census building permit data. Residential construction in Colorado for the 12 months ending in February posted 9.5% growth year-over-year. Home prices in Colorado grew at the sixth-fastest pace nationally (9.8%) according to the Q4 Federal Housing Finance Agency All Transactions Index.

The ratio of new establishments to new entity filings has remained stable from 2005 to 2015, ranging from 15.5% to 22%. The ratio was 16.5% in 2013, 15.5% in 2014, and 16% in 2015. New entity filings may or may not become establishments, which are single physical locations where business is conducted or where services or industrial operations are performed according to the U.S. Census Bureau. The 2016 data will become available in late 2018.



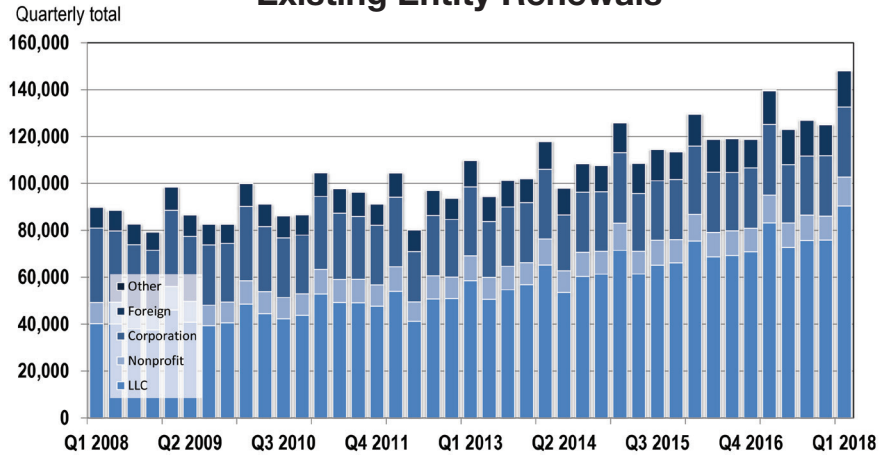
Sources: U.S. Census Bureau, Business Dynamic Statistics, Office of the Secretary of State, Calculations by BRD Staff.

The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics. The Business Research Division (BRD) of the Leeds School of Business conducts marketing and economic impact studies and customized research projects that assist companies, associations, nonprofits, and governmental agencies with making sound business and policy decisions.

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## Existing Entity Renewals



## Business Filings Overview

### Faster Growth in Q1.

In the first quarter of 2018, a total of 35,672 new business filings were recorded in Colorado, representing a 9.9% increase over the same period in 2017. For the four quarters ending Q1 2018, a total of 120,870 new business filings were recorded in the state, exhibiting strong annual and quarterly growth.

Renewals of existing entities were 148,528 in Q1 2018, a strong increase from the prior year. However, in Q1 dissolution filings also recorded a strong increase.

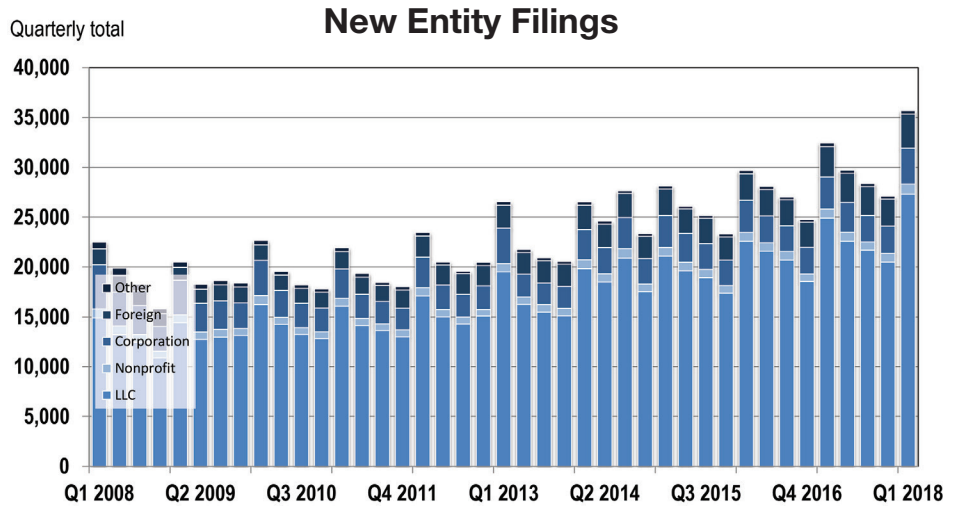
Quarterly trademark filings and trade name filings increased, and businesses in good standing continued to climb to record levels.

	Q1 2018	Q4 2017	Q1 2017	Percent Change over Prior Year		5-Year CAGR <sup>a</sup>	
<b>New Entity Filings</b>							
Domestic Limited Liability Company	27,286	20,482	24,900	9.6%	▲	6.9%	▲
Domestic Nonprofit Corporation	1,018	857	907	12.2%	▲	4.3%	▲
Domestic Corporation	3,621	2,750	3,218	12.5%	▲	0.2%	▲
Other Entity Types	3,747	3,009	3,425	9.4%	▲	7.2%	▲
Total New Entity Filings	35,672	27,098	32,450	9.9%	▲	6.1%	▲
Total New Entity Filings - 12 mo. trailing	120,870	117,648	112,295	7.6%	▲	6.8%	▲
<b>Existing Entity Renewals</b>							
Domestic Limited Liability Company	90,371	75,899	83,176	8.7%	▲	9.1%	▲
Domestic Nonprofit Corporation	12,399	10,248	11,962	3.7%	▲	3.1%	▲
Domestic Corporation	29,842	25,782	30,062	-0.7%	▼	0.3%	▲
Other Entity Types	15,916	13,551	14,683	8.4%	▲	6.8%	▲
Total Existing Entity Renewals	148,528	125,480	139,883	6.2%	▲	6.2%	▲
Total Existing Entity Renewals - 12 mo. trailing	524,583	515,938	497,639	5.4%	▲	6.6%	▲
<b>Other Business Filings</b>							
Dissolution Filings	8,566	8,083	7,827	9.4%	▲	7.5%	▲
Dissolution Filings - 12 mo. trailing	30,000	29,261	26,958	11.3%	▲	9.1%	▲
Trademarks	1,004	836	961	4.5%	▲	-0.9%	▼
Trademarks - 12 mo. trailing	3,655	3,612	3,531	3.5%	▲	4.3%	▲
Trade Names	12,607	9,697	12,574	0.3%	▲	-0.7%	▼
Trade Names - 12 mo. trailing	43,944	43,911	44,144	-0.5%	▼	-2.6%	▼
<b>Entities in Good Standing</b>							
Corporation	123,576	125,177	122,350	1.0%	▲	0.2%	▲
Foreign	71,699	71,089	62,405	14.9%	▲	7.4%	▲
Limited Liability Company	421,791	417,964	358,404	17.7%	▲	8.6%	▲
Nonprofit Corporation	49,025	49,201	46,963	4.4%	▲	2.3%	▲
Other Entity Types	11,446	11,548	10,495	9.1%	▲	1.7%	▲
Total Entities in Good Standing	677,537	674,979	600,617	12.8%	▲	6.0%	▲

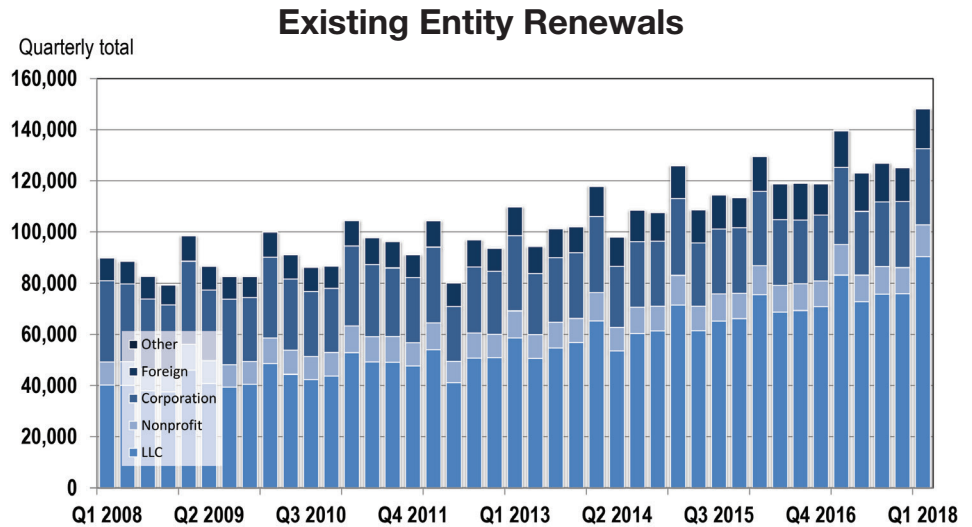
<sup>a</sup> Compound Annual Growth Rate.

## New Entity Filings & Existing Entity Renewals

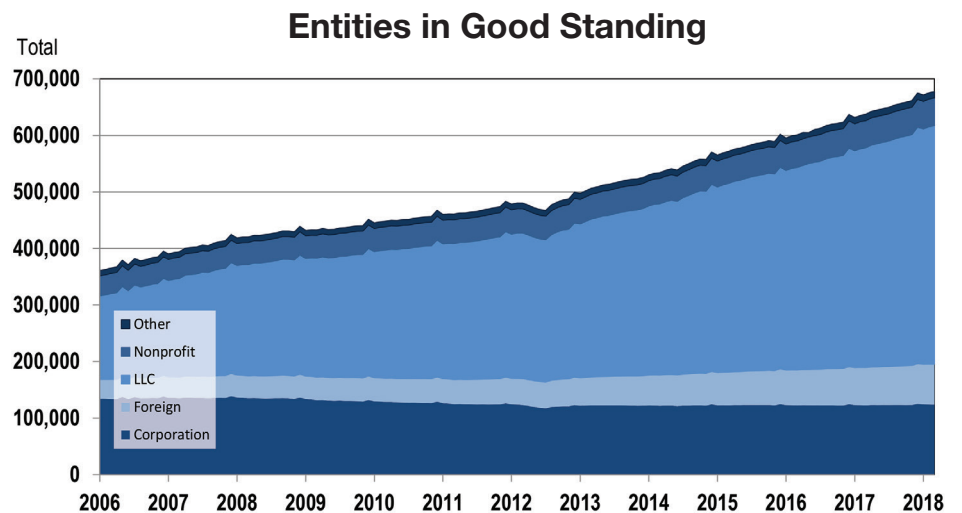
**Business filings in Q1 2018 increased over Q1 2017.** New entity filings increased by 9.9% year-over-year, and also increased from the seasonal low in Q4 2017. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 7.6% increase in Q1 2018 compared to Q1 2017 and a 2.7% rise over Q4 2017. Quarterly filings were up year-over-year for all filing types, but domestic corporations recorded the largest percentage gain.



**Business renewals also gained in Q1.** Renewals totaled 148,528 in Q1 2018, increasing 6.2% compared to Q1 2017. The four-quarter rolling total in Q1 2018 rose 5.4% year-over-year. Renewals also exhibit seasonality.



**Record number of businesses in good standing in Q1.** From Q1 2017 to Q1 2018, the number of entities in good standing in the state increased by 12.8%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6%. LLCs drove year-over-year growth (17.7%), followed by foreign entities (14.9%).

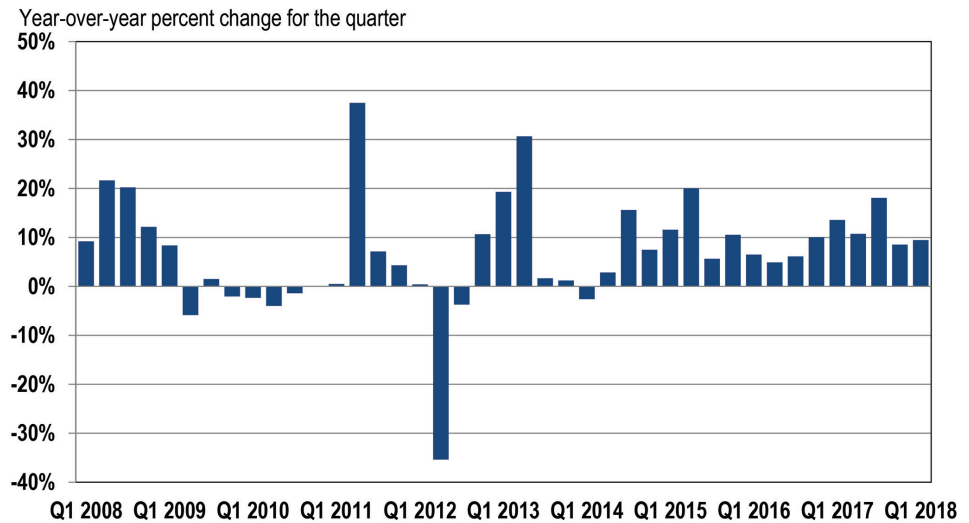




## Dissolutions, Trade Names, & Trademarks

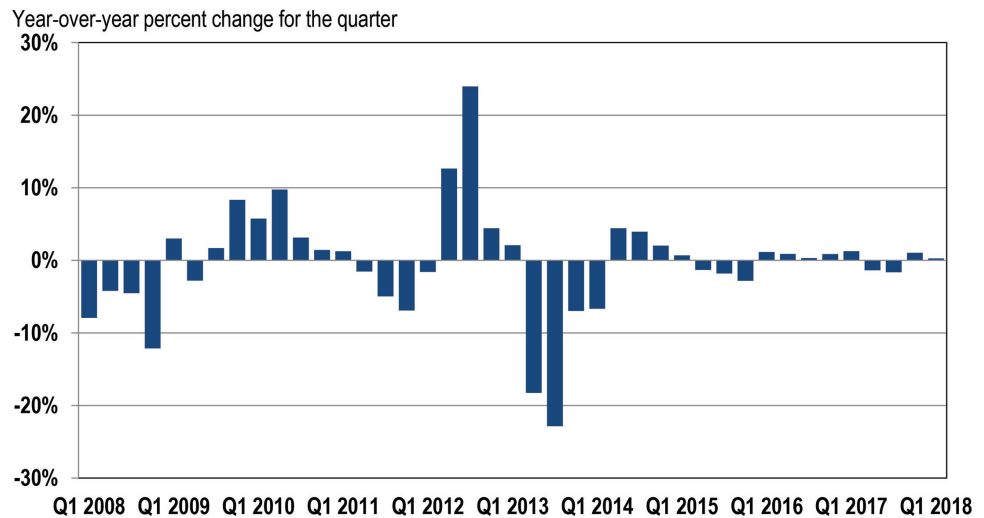
**Dissolution filings increased in Q1 2018.** Dissolution filings increased 9.4% in Q1 2018 compared to Q1 2017, representing a total of 8,566 businesses dissolving. Filings also increased compared to the prior quarter. The 12-month rolling sum increased by 11.3% year-over-year, and also increased over the prior quarter (2.5%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

### Dissolution Filings



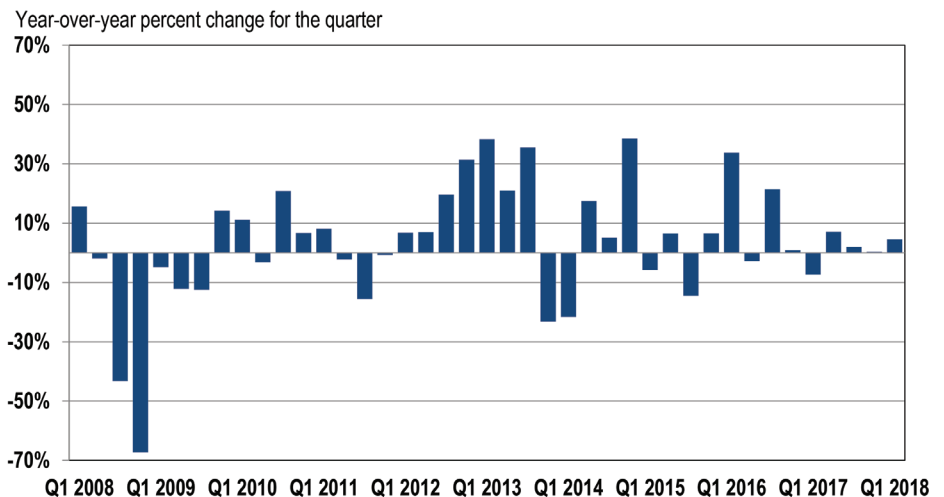
**Trade name filings rose modestly.** In Q1 2018, a total of 12,607 trade names were filed, an increase of 0.3% year-over-year and 30% growth quarter-over-quarter. The 12-month trailing total of trade name filings—43,944—was down only slightly (0.5%) year-over-year and 0.1% compared to the prior quarter. Entities must file a statement of trade name when operating under any name other than their true name.

### Trade Name Filings



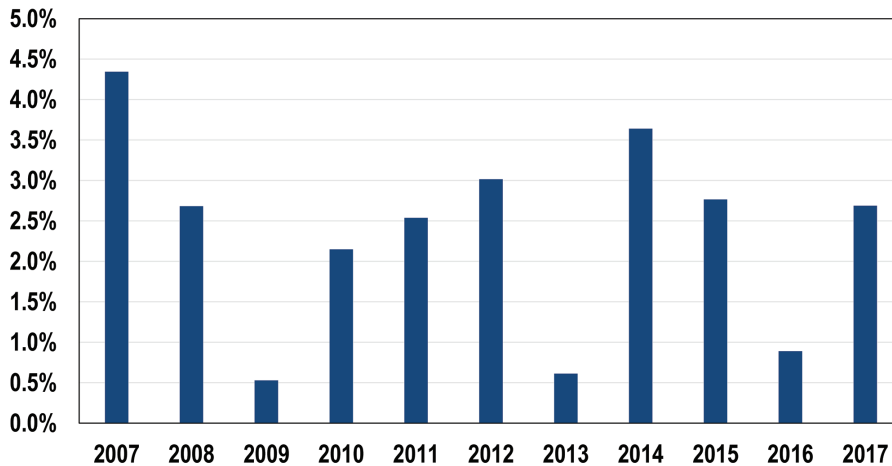
**The total number of trademark filings nearly unchanged year-over-year.** Trademark filings increased from 961 in Q1 2017 to 1,004 in Q1 2018, but quarter-over-quarter filings were up 20.1%. The four-quarter rolling total of trademark filings increased in Q1 2018 by 3.5% over the prior year and 1.2% from Q4. Trademarks protect the symbols and words used in commerce.

### Trademark Filings



## Colorado Economic Indicators

### Colorado Annual Wage Growth



Note: 2017 is as of Q3, all other numbers are annual.  
Source: Bureau of Labor Statistics, current Employment.

#### Colorado's labor market strength has persisted through the beginning of 2018.

Through February 2018, Colorado had the fifth-fastest employment growth in the nation (2.4%) and the ninth-lowest unemployment rate in the nation (3%). Unemployment claims have sustained their lowest levels since the 1990s, totaling 23,805 in mid-March.

#### Growth in wages per employee in Colorado is beginning to accelerate.

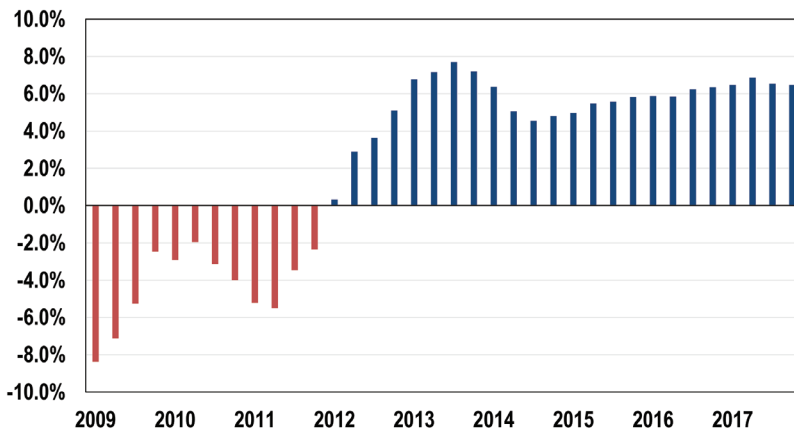
Wages grew 2.7% year-over-year in Q3 2017, reversing a trend of deceleration that began in 2014. Personal income, the broader measure of income, rose by 5.3% year-over-year in Q4 2017 and 1.3% quarter-over-quarter.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth &amp; Income</b>								
Personal Income (millions of dollars)	305,555	301,699	1.3%	▲	5.3%	▲	4.6%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	2.8	2.8	1.7%	▲	7.0%	▲	5.5%	▲
Sales Expectations (LBCI)	58.1	58.2	-0.3%	▼	-9.1%	▼	2.9%	▲
Profit Expectations (LBCI)	64.3	61.6	4.4%	▲	0.0%	▲	0.6%	▲
<b>Business Outlays</b>								
Annual Wages Per Employee (\$)	56,344	56,229	0.2%	▲	2.7%	▲	2.5%	▲
Hiring Expectations (LBCI)	62.5	60.6	3.1%	▲	-0.4%	▼	1.0%	▲
Capital Expenditures Expectations (LBCI)	60.5	59.3	2.0%	▲	-1.9%	▼	1.0%	▲
Retail Gasoline Price (dollars per gallon)	2.60	2.51	3.5%	▲	13.4%	▲	-6.5%	▼
<b>Economic Overview</b>								
Real Quarterly GDP (millions of chained 2009 dollars)	302,388	299,660	3.7%	▲	3.0%	▲	3.3%	▲
Employment (in thousands)	2,701.8	2,680.7	0.8%	▲	2.4%	▲	2.8%	▲
Unemployment Rate <sup>b</sup>	3.0%	3.0%	0.0%	▷	0.3%	▲	-4.3%	▼
Initial Jobless Claims	1,572	2,487	-36.8%	▼	-13.3%	▼	-10.8%	▼
Continuing Jobless Claims	23,805	22,057	7.9%	▲	-9.4%	▼	-12.5%	▼
Building Permits, Number of Units, 12 mo. trailing	43,878	42,107	4.2%	▲	9.5%	▲	1.8%	▲
Valuation (millions of dollars), 12 mo. trailing	9,680	9,258	4.6%	▲	-10.2%	▼	-2.1%	▼
Foreclosures Filings, Number of Units	1,654	1,610	2.7%	▲	-7.8%	▼	-21.9%	▼
Number of Sales	447	465	-3.9%	▼	-29.4%	▼	-34.7%	▼
FHFA Purchase-Only Home Price Index	441	428	3.1%	▲	9.8%	▲	9.8%	▲
Private Firms	196,560	195,285	0.7%	▲	3.4%	▲	2.8%	▲
Rotary Rig Count	30	34	-11.8%	▼	7.1%	▲	-12.7%	▼
Total Business Bankruptcy Filings	95	111	-14.4%	▼	8.0%	▲	-14.3%	▼
Chapter 7	68	77	-11.7%	▼	15.3%	▲	-13.8%	▼
Chapter 11	16	26	-38.5%	▼	-30.4%	▼	-20.4%	▼
Chapter 13	11	7	57.1%	▲	83.3%	▲	1.9%	▲
State Economy Expectations (LBCI)	62.1	58.2	6.6%	▲	-7.3%	▼	0.0%	▲

Sources in order as metrics appear and dates in parentheses indicate most recent data at time of publication: Bureau of Economic Analysis, Quarterly Personal Income (SA) (Q4 17); Colorado Department of Revenue, Office of Research and Analysis (NSA) (01/18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 18); Colorado Department of Labor and Employment, QCEW (NSA) (Q3 17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (03/19/18); Bureau of Economic Analysis, (SAAR) (Q3 17); Bureau of Labor Statistics, CES (SA) (2/18); Bureau of Labor Statistics, LAUS (SA) (2/18); U.S. Department of Labor, Employment and Training Administration (NSA) (03/03/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/18); Colorado Division of Housing, Foreclosure Report (Q4 17); FHFA Purchase-Only Home Price Index (SA) (Q4 17); Bureau of Labor Statistics, QCEW (Q3 2017); Baker-Hughes (03/23/18); Administrative Office of the U.S. Courts (Q4 17); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 18).

<sup>a</sup>Compound Annual Growth Rate. <sup>b</sup>Percentage point change.

### FHFA Annual Home Price Growth



Source: Federal Housing Finance Agency, National Purchase-Only Index.

### National Economic Indicators

**U.S. real GDP continues to show strong growth in 2017.** Year-over-year real GDP growth in each quarter of 2017 was above 2%, and Q4 2017 recorded annual growth of 2.6%, the highest level since Q2 2015. Durable goods expenditures experienced the strongest increase from Q4 2016, rising 7.3%. These expenditures are approximately 10% of total GDP. With the passage of the Tax Cuts and Jobs Act, GDP is expected to grow more quickly in the short term.

Most economic indicators reflect a growing national economy. Employment, the unemployment rate, wages, building permits, and wealth all continue to improve. Prices, however, continue to increase as well.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>	
<b>Wealth &amp; Income</b>								
Personal Income (billions of dollars)	16,658	16,469	1.1%	▲	3.9%	▲	3.1%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,793.6	5,734.6	1.0%	▲	4.4%	▲	3.6%	▲
S&P 500	2,610.1	2,713.1	-3.8%	▼	10.9%	▲	10.5%	▲
Annual Wages Per Employee	54,832	54,920	-0.2%	▼	1.9%	▲	3.0%	▲
<b>Business Outlays</b>								
Consumer Price Index	249.6	247.4	0.9%	▲	2.1%	▲	1.4%	▲
Core Inflation (All Items Less Food & Energy)	255.8	253.8	0.8%	▲	1.8%	▲	1.9%	▲
Shelter	303.7	301.4	0.8%	▲	3.1%	▲	3.1%	▲
Retail Gasoline Price (dollars per gallon)	2.82	2.64	6.8%	▲	14.0%	▲	-5.4%	▼
<b>Economic Overview</b>								
Real Quarterly GDP (billions of chained 2009 dollars)	17,287	17,164	2.9%	▲	2.6%	▲	2.4%	▲
Employment (in thousands)	148,230	147,625	0.4%	▲	1.5%	▲	1.8%	▲
Unemployment Rate <sup>b</sup>	4.1%	4.1%	0.0%	▷	-0.6%	▼	-3.6%	▼
Initial Jobless Claims	226,000	229,000	-1.3%	▼	-8.5%	▼	-13.9%	▼
Continuing Jobless Claims	1,836,000	1,928,000	-4.8%	▼	-7.8%	▼	-17.3%	▼
Building Permits, Number of Units, 12 mo. trailing	1,280,145	1,263,518	1.3%	▲	6.5%	▲	8.6%	▲
Valuation (millions of dollars), 12 mo. trailing	259,022	253,947	2.0%	▲	9.9%	▲	12.2%	▲
FHFA Home Price Index	252.7	248.7	1.6%	▲	6.5%	▲	6.1%	▲
Rotary Rig Count	1,003	924	8.5%	▲	19.5%	▲	-10.4%	▼
Total Business Bankruptcy Filings	5,727	5,290	8.3%	▲	1.1%	▲	-9.1%	▼
Chapter 7	3,457	3,302	4.7%	▲	-6.5%	▼	-11.3%	▼
Chapter 11	1,668	1,348	23.7%	▲	29.6%	▲	-4.8%	▼
Chapter 13	477	505	-5.5%	▼	-8.1%	▼	-7.5%	▼
National Economy Expectations (LBCI)	57.3	58.1	-1.2%	▼	5.1%	▲	-0.3%	▼

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<sup>a</sup>Compound Annual Growth Rate. <sup>b</sup>Percentage point change.

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## Overview of Business Types

Businesses are established under several different entity types. The most commonly formed is a *domestic limited liability company* (DLLC), blending structures from both corporations and partnerships/sole proprietorships. DLLCs provide owners with protection from personal liability and also offer benefits from the effects of pass-through income taxation. As an example, Indigo Partners is the parent company of Frontier Airlines, a low-cost carrier headquartered in Denver.

*Domestic corporations* (DCs) are the second-most popular business filing received by the Secretary of State. DCs provide owners with limited liability, similar to DLLCs, and business must be conducted in the state in which it was formed. Coors Brewing Company is a well-known DC in Colorado.

A third entity type is a *domestic nonprofit corporation* (DNC). DNCs differ from DLLCs and DCs in that they are formed not for profit

and pursue an agenda of social responsibility. Building a Better Colorado operates as a DNC with the goal of facilitating conversation between Colorado voters to improve the state government.

*Public benefit corporations* create a framework for companies that seek to solve social and environmental problems while benefiting their shareholders. Group14 Engineering, which provides sustainable energy and environmental solutions for buildings, is example of this type of corporation in Colorado.

*Foreign entities*, or business entities registered in a different state, are authorized to transact business or conduct activities in the state of Colorado. According to the Colorado Secretary of State, all foreign entity types are functionally equivalent to their domestic counterparts. Simple Energy Inc. is an example of a foreign entity in Colorado.



A partnership between the  
**Colorado Secretary of State's Office**  
and the  
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**Business Research Division**

