

Secretary of State Business Filings Q2 2018 Data Analysis Summary

- Colorado new entity filings continued a strong upward trajectory in Q2 2018.
- Employment followed suit, reaccelerating in the first half of 2018.
- Strong growth will continue in the second half of 2018.
- Residential building permits increase at a faster rate compared to last year, but are still lagging demand.
- The Colorado economy continues to be fundamentally strong.

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



Q3 2018 vs. Q2 2018

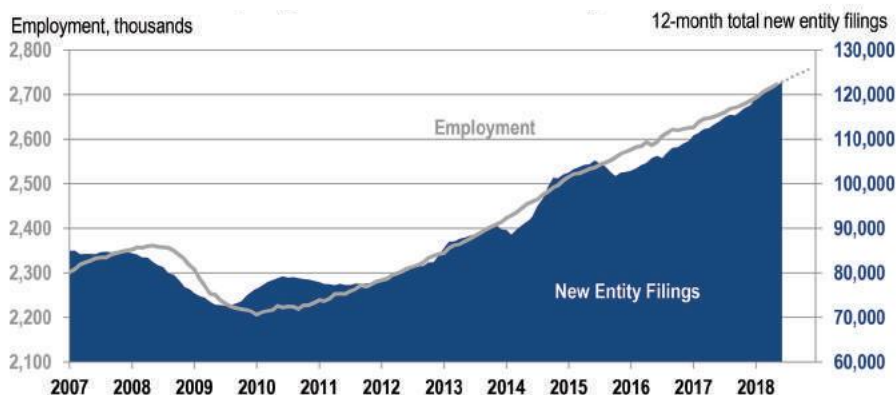


Q3 2018 vs. Q3 2017



Q4 2018 vs. Q3 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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The Secretary of State's office works to grow commerce and foster political freedom by building trust, instilling confidence, and offering innovative, value-driven solutions.

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Tight labor market boosting the labor force. Responding to Colorado’s low unemployment rate, the state’s labor force participation rate has increased 2.1 percentage points since bottoming out in 2015, and now stands 6 percentage points above the national rate. This increase has enabled a reacceleration in the employment growth rate.

New entity filings continue upward climb compared to a year ago. Total new entity filings increased 6.2% year-over-year in Q2 2018, but declined 11.5% in seasonal fashion. Over the 12 months ending in Q2 2018, a total of 122,713 new business filings were recorded. Given the relationship between new business filings, new business formation, and employment growth, the increase in filings points to continued strong job growth in the state for the remainder of 2018.

Existing entity filings up over 2017. Existing entity renewals increased to 132,874 in Q2 2018, a bump of 7.7% year-over-year. Entities in good standing reached 688,986 in Q2 2018—a record for Colorado.

Colorado business leaders’ optimism slips, but remains high ahead of Q3 and Q4 2018. Business leaders’ confidence rose ahead of Q3 and Q4, with an increase in state expectations, but a decrease in the other five index components. Overall, panelists remained bullish on sales, profits, hiring, and capital expenditures for their industries in the second half of 2018.

Strong GDP growth. The domestic economy continued to expand in Q1 2018, posting positive real GDP growth for the 16th consecutive quarter. GDP increased by 3.1% in Q2 2017, 3.2% in Q3 2017, 2.9% in Q4 2017, and 2% in Q1 2018. According to the Bureau of Economic Analysis, the deceleration in Q1 reflected a slowdown in personal consumption, government spending, and residential fixed investment, and an increase in inventory investment and nonresidential fixed investment.

According to the Bureau of Labor Statistics, a total of 213,000 jobs were added nationally in June 2018. Employment growth in the first half of 2018 averaged 215,000 compared to 184,000 in the first half of 2017. The national unemployment rate increased to 4% in June with the increase in the labor force. Total personal income increased \$188.1 billion in Q1 2018 year-over-year, a 3.7% year-over-year increase according to the Bureau of Economic Analysis. Initial jobless claims were 222,000 in June, and continuing claims were 1.7 million nationwide—both low by historical standards.

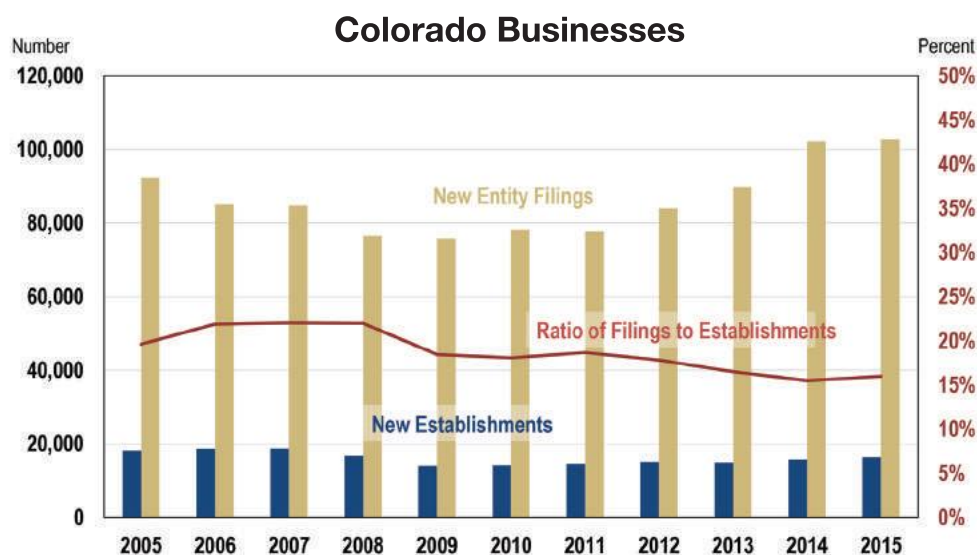
A 12-month trailing total of retail and food services sales show an increase of 4.8% year-over-year nationally. Gasoline prices increased 21.2% over the last 12 months. Demonstrating higher price growth, the Consumer Price Index of national prices increased 2.7% in May 2018 year-over-year, while core inflation (all items less food and energy) rose 2.2% and shelter climbed 3.5%.

Colorado’s economy grew 4.3% year-over-year in Q4 2017, and at an annualized rate of 3.2% for the quarter according to the Bureau of Economic Analysis. In May 2018, Colorado

added approximately 72,800 jobs year-over-year (2.7%). Based on data from the Bureau of Labor Statistics, year-over-year total wages and wages per employee for the 12 months ending in Q4 increased 6.4% and 4.1%, respectively, in Colorado.

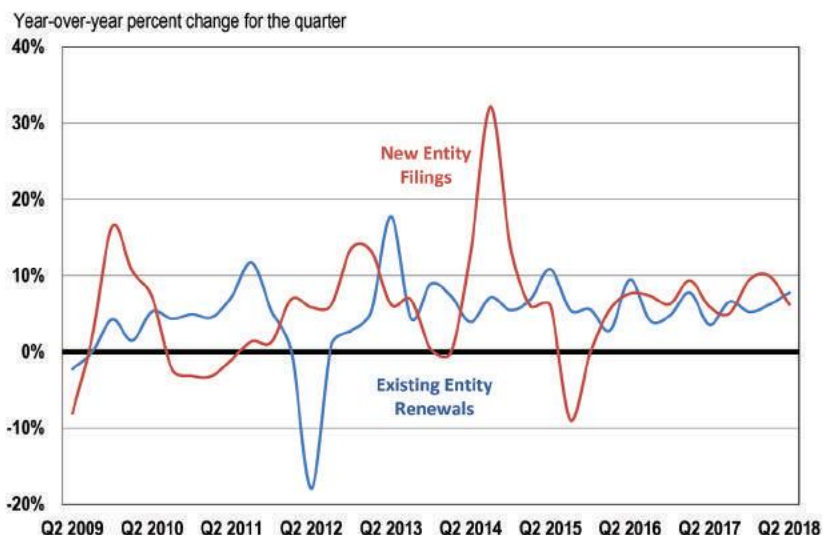
Building permits increased 7.6% nationally for the 12 months ending in May based on Census building permit data. Residential construction in Colorado for the 12 months ending in May posted 15% growth year-over-year. Home prices in Colorado grew at the fourth-fastest pace nationally (9.9%) according to the Q1 2018 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.

Existing Entity Renewals and New Entity Filings



Business Filings Overview

Growth in business filings remain strong in Q2.

In the second quarter of 2018, nearly all business filings recorded positive change. A total of 31,572 new business filings were recorded in Colorado, representing a 7.7% increase over the same period in 2017. For the four quarters ending Q2 2018, a total of 122,713 new business filings were recorded in the state, exhibiting strong annual and quarterly growth.

Renewals of existing entities were 132,874 in Q2 2018, a strong increase from the prior year. However, in Q2 dissolution filings also recorded a strong increase.

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

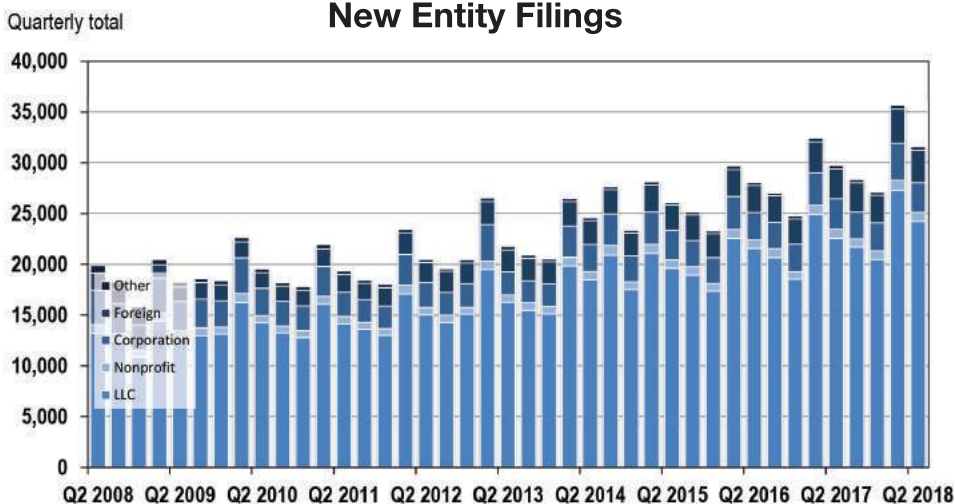
	Q2 2018	Q1 2018	Q2 2017	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	24,227	27,285	22,582	7.3%	▲	8.3%	▲
Domestic Nonprofit Corporation	911	1,018	895	1.8%	▲	4.6%	▲
Domestic Corporation	2,917	3,621	3,012	-3.2%	▼	5.0%	▲
Other Entity Types	3,517	3,747	3,239	8.6%	▲	7.2%	▲
Total New Entity Filings	31,572	35,671	29,728	6.2%	▲	7.7%	▲
Total New Entity Filings - 12 mo. trailing	122,713	120,869	113,949	7.7%	▲	6.8%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	79,946	90,371	72,751	9.9%	▲	9.6%	▲
Domestic Nonprofit Corporation	10,749	12,399	10,399	3.4%	▲	2.7%	▲
Domestic Corporation	25,692	29,841	24,973	2.9%	▲	1.5%	▲
Other Entity Types	16,487	15,917	15,224	8.3%	▲	8.9%	▲
Total Existing Entity Renewals	132,874	148,528	123,347	7.7%	▲	7.0%	▲
Total Existing Entity Renewals - 12 mo. trailing	534,110	524,583	501,854	6.4%	▲	6.2%	▲
Other Business Filings							
Dissolution Filings	7,454	8,566	6,653	12.0%	▲	9.9%	▲
Dissolution Filings - 12 mo. trailing	30,801	30,000	27,602	11.6%	▲	8.4%	▲
Trademarks	954	1,004	940	1.5%	▲	5.7%	▲
Trademarks - 12 mo. trailing	3,669	3,655	3,593	2.1%	▲	3.5%	▲
Trade Names	11,505	12,607	11,202	2.7%	▲	1.0%	▲
Trade Names - 12 mo. trailing	44,247	43,944	43,987	0.6%	▲	-1.5%	▼
Entities in Good Standing							
Corporation	124,207	123,576	123,003	1.0%	▲	0.3%	▲
Foreign	73,197	71,699	68,087	7.5%	▲	7.5%	▲
Limited Liability Company	430,576	421,791	396,655	8.6%	▲	8.6%	▲
Nonprofit Corporation	49,462	49,025	48,210	2.6%	▲	2.3%	▲
Other Entity Types	11,544	11,446	10,495	10.0%	▲	1.9%	▲
Total Entities in Good Standing	688,986	677,537	647,246	6.4%	▲	6.1%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

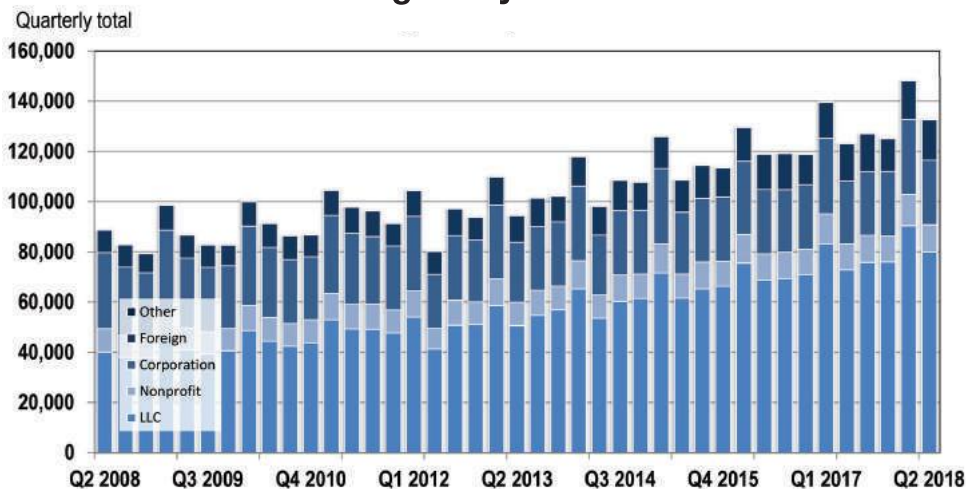
Business filings in Q2 2018 increased over Q2 2017. New entity filings increased by 6.2% year-over-year, but decreased from the seasonal high in Q1 2018. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 7.7% increase in Q2 2018 compared to Q2 2017 and a 1.5% rise over Q1 2018. Quarterly filings were up year-over-year for most filing types.

New Entity Filings



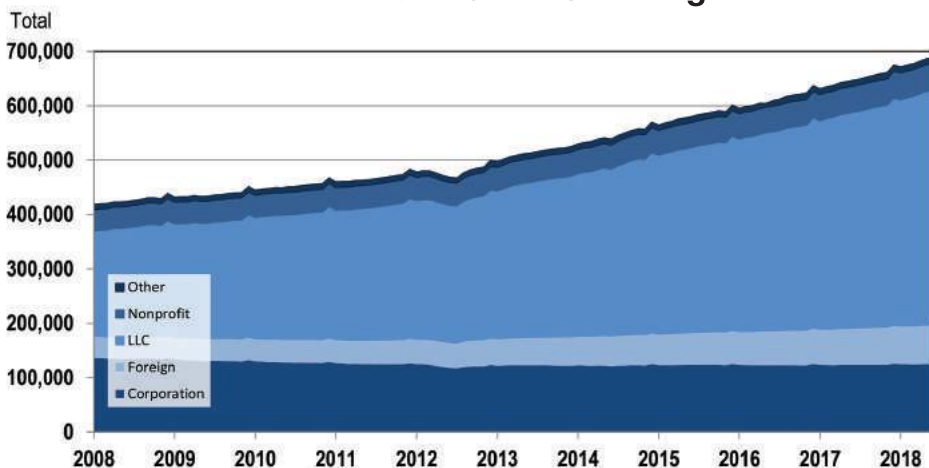
Business renewals also gained in Q2. Renewals totaled 132,874 in Q2 2018, increasing 7.7% compared to Q2 2017. The four-quarter rolling total in Q2 2018 rose 6.4% year-over-year. Renewals also exhibit seasonality—the decrease from Q1 to Q2 2018 reflects that seasonality.

Existing Entity Renewals



Record number of businesses in good standing in Q2. From Q2 2017 to Q2 2018, the number of entities in good standing in the state increased by 6.4%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.1%. LLCs drove year-over-year growth (8.6%), followed by foreign entities (7.5%).

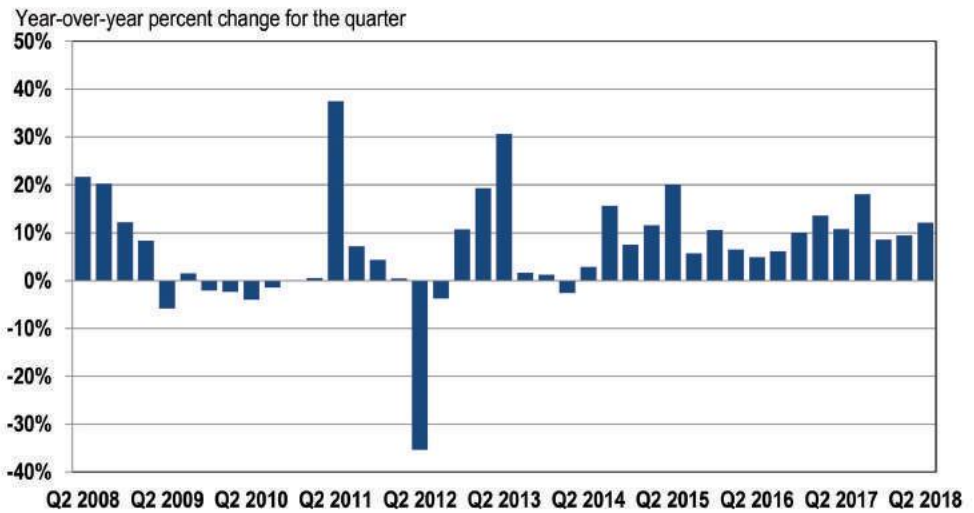
Entities in Good Standing



Dissolutions, Trade Names, & Trademarks

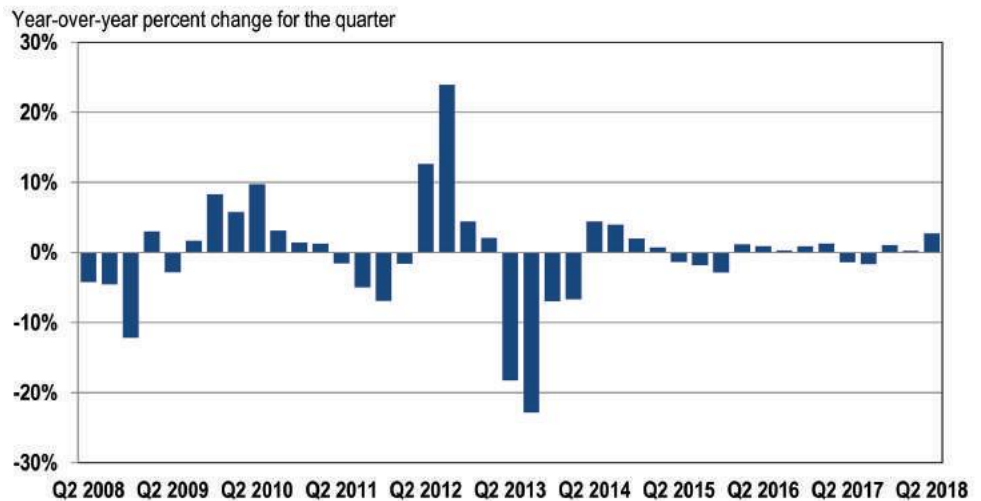
Dissolution filings increased again in Q2 2018. Dissolution filings increased 12% in Q2 2018 compared to Q2 2017, representing a total of 7,454 businesses dissolving. However, filings decreased compared to the prior quarter. The 12-month rolling sum increased by 11.6% year-over-year, and also increased over the prior quarter (2.7%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



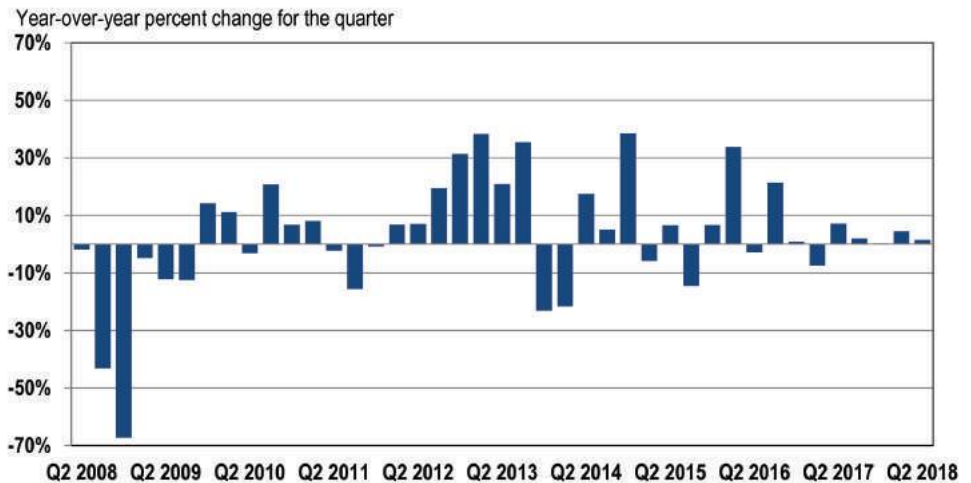
Trade name filings up for the year, down for the quarter. In Q2 2018, a total of 11,505 trade names were filed, an increase of 2.7% year-over-year, but a slip of 8.7% compared to the prior quarter. The 12-month trailing total of trade name filings—44,247—was up 0.6% year-over-year and up 0.7% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings



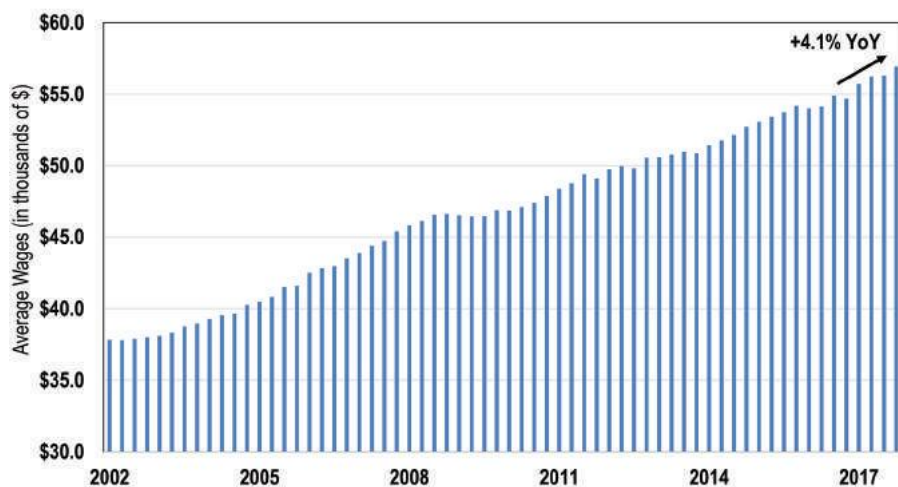
The total number of trademark filings remained nearly unchanged year-over-year. Trademark filings increased from 940 in Q2 2017 to 954 in Q2 2018, but quarter-over-quarter filings were down 5%. The four-quarter rolling total of trademark filings increased in Q2 2018 by 2.1% over the prior year and 0.4% from Q1. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Economic Indicators

Colorado Annual Wage Growth



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Colorado's average wages continue to grow moving into 2018. Through year-end 2017, Colorado recorded its highest average wages on record (\$56,916), ranking the state 10th-highest for average wages. Average wages grew 4.1% from Q4 2016.

The Colorado economy remains on a solid footing, with strong GDP, employment, personal income, and wage growth. However, business leaders expressed reticence looking ahead to the second half of 2018 according to the Leeds Business Confidence Index—noting concerns about labor availability, housing affordability and availability, interest rates, and political uncertainty.

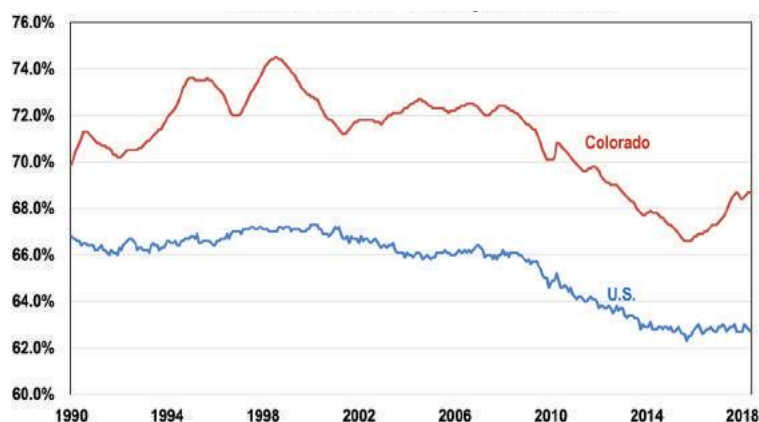
	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (millions of dollars)	308,454	304,338	1.4%	▲	4.4%	▲	5.0%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	2.9	2.8	1.5%	▲	7.1%	▲	5.8%	▲
Sales Expectations (LBCI)	55.3	57.3	-3.6%	▼	7.5%	▲	-0.1%	▼
Profit Expectations (LBCI)	56.1	61.4	-8.6%	▼	-4.0%	▼	-2.0%	▼
Business Outlays								
Annual Wages Per Employee (\$)	56,916	56,291	1.1%	▲	4.1%	▲	2.4%	▲
Hiring Expectations (LBCI)	54.6	60.5	-9.8%	▼	-5.3%	▼	-1.7%	▼
Capital Expenditures Expectations (LBCI)	54.4	57.9	-6.0%	▼	-4.7%	▼	-1.2%	▼
Retail Gasoline Price (dollars per gallon)	2.89	2.55	13.0%	▲	23.7%	▲	-4.8%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	308,339	305,927	3.2%	▲	4.3%	▲	3.5%	▲
Employment (in thousands)	2,723.4	2,702.4	0.8%	▲	2.7%	▲	2.8%	▲
Unemployment Rate ^b	2.8%	3.0%	-0.3%	▼	0.1%	▲	-4.3%	▼
Initial Jobless Claims	1,745	1,572	11.0%	▲	-9.5%	▼	-9.0%	▼
Continuing Jobless Claims	19,623	23,035	-14.8%	▼	-14.9%	▼	-15.8%	▼
Building Permits, Number of Units, 12 mo. trailing	46,612	43,867	6.3%	▲	15.0%	▲	11.9%	▲
Valuation (millions of dollars), 12 mo. trailing	10,308	9,678	6.5%	▲	15.2%	▲	14.1%	▲
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	456	441	3.4%	▲	10.6%	▲	10.2%	▲
Private Firms	195,956	196,848	-0.5%	▼	3.5%	▲	2.9%	▲
Rotary Rig Count	32	31	3.2%	▲	-11.1%	▼	-12.7%	▼
Total Business Bankruptcy Filings	94	95	-1.1%	▼	3.3%	▲	-12.2%	▼
Chapter 7	68	68	0.0%	▷	-1.4%	▼	-12.7%	▼
Chapter 11	10	16	-37.5%	▼	-44.4%	▼	-21.7%	▼
Chapter 13	10	11	-9.1%	▼	150.0%	▲	-1.9%	▼
State Economy Expectations (LBCI)	61.4	61.9	-0.8%	▼	4.4%	▲	-0.8%	▼

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) (Q1 18); Colorado Department of Revenue, Office of Research and Analysis (NSA) (05/18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 18); Colorado Department of Labor and Employment, QCEW (NSA) (Q4 17); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (06/29/18); Bureau of Economic Analysis, (SAAR) (Q4 17); Bureau of Labor Statistics, CES (SA) (05/18); Bureau of Labor Statistics, LAUS (SA) (05/18); U. S. Department of Labor, Employment and Training Administration (NSA) (05/01/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/18); Colorado Division of Housing, Foreclosure Report (Q4 17); FHFA Purchase-Only Home Price Index (SA) (Q1 18); Bureau of Labor Statistics, QCEW (Q4 2017); Baker-Hughes (06/29/18); Administrative Office of the U.S. Courts (Q1 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 18).

^aCompound Annual Growth Rate. ^bPercentage point change.

National Economic Indicators

Labor Force Participation Rate



Source: Bureau of Labor Statistics.

U.S. labor force participation rate improves from cycle low.

National labor force participation sits at 62.7%, and has been hovering around that rate since recovery from the 62.3% low in 2015. Amid expectations of a continual decline, labor force participation has remained steady, reflecting recovery from structural and recessionary setbacks sooner than expected. This is attributable to a growing national economy. Colorado's labor force participation rate remains six percentage points above the national rate—68.7%—and has been increasing since 2015.

Most economic indicators reflect national economic growth. 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 ^a	
Wealth & Income								
Personal Income (billions of dollars)	16,851	16,663	1.1%	▲	3.7%	▲	3.9%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,871.0	5,796.5	1.3%	▲	4.8%	▲	3.7%	▲
S&P 500	2,716.3	2,605.0	4.3%	▲	11.3%	▲	11.0%	▲
Annual Wages Per Employee	55,375	54,826	1.0%	▲	3.3%	▲	11.0%	▲
Business Outlays								
Consumer Price Index	250.5	249.6	0.4%	▲	2.7%	▲	1.6%	▲
Core Inflation (All Items Less Food & Energy)	256.9	255.8	0.4%	▲	2.2%	▲	2.0%	▲
Shelter	306.8	303.7	1.0%	▲	3.5%	▲	3.2%	▲
Retail Gasoline Price (dollars per gallon)	2.91	2.76	5.4%	▲	21.2%	▲	-4.4%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	17,372	17,287	2.0%	▲	2.8%	▲	2.3%	▲
Employment (in thousands)	148,912	148,280	0.4%	▲	1.6%	▲	1.8%	▲
Unemployment Rate ^b	4.0%	4.1%	-0.1%	▼	-0.3%	▼	-3.5%	▼
Initial Jobless Claims	222,000	230,000	-3.5%	▼	-9.8%	▼	-13.5%	▼
Continuing Jobless Claims	1,701,000	1,877,000	-9.4%	▼	-12.5%	▼	-18.1%	▼
Building Permits, Number of Units, 12 mo. trailing	1,313,227	1,280,657	2.5%	▲	7.6%	▲	7.8%	▲
Valuation (millions of dollars), 12 mo. trailing	265,488	258,765	2.6%	▲	9.5%	▲	11.0%	▲
FHFA Home Price Index	213.0	209.4	1.8%	▲	6.3%	▲	5.3%	▲
Rotary Rig Count	1,047	993	5.4%	▲	11.4%	▲	-9.7%	▼
Total Business Bankruptcy Filings	5,669	5,727	-1.0%	▼	-0.8%	▼	-7.8%	▼
Chapter 7	3,355	3,457	-3.0%	▼	-6.9%	▼	-10.1%	▼
Chapter 11	1,718	1,668	3.0%	▲	19.7%	▲	-2.9%	▼
Chapter 13	460	477	-3.6%	▼	-14.7%	▼	-7.8%	▼
National Economy Expectations (LBCI)	55.3	57.3	-3.6%	▼	7.6%	▲	-0.1%	▼

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) (Q1 18); U.S. Census Bureau (NSA) (5/18); Yahoo Finance (6/28/18); Bureau of Labor Statistics, QCEW (NSA) (Q4 17); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (5/18); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (6/25/18); Bureau of Economic Analysis (SAAR) (Q1 18); Bureau of Labor Statistics, CES (SA) (6/18); Bureau of Labor Statistics (SA) (6/18); U.S. Department of Labor, Employment and Training Administration (SA) (6/2/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/18); FHFA Purchase-Only Home Price Index (SA) (Q1 18); Baker-Hughes (6/29/18); Administrative Office of the U.S. Courts (Q1 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 18).

^aCompound Annual Growth Rate. ^bPercentage point change.

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) 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. Visit colorado.edu/business/brd to learn more.



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 an 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.



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