



Secretary of State Business Filings Q2 2019 Data Analysis Summary

- Colorado new entity filings and existing filings grew in Q2 compared to a year ago.
- Employment growth will continue in Q3 2019 and Q4 2019.
- Wages increased at a healthy rate, continuing to outpace the nation.
- Despite slower growth, Colorado's economy continues to outperform much of the nation.

COLORADO INDICATORS

Employment



vs. prior
quarter



vs. prior
year

Unemployment



vs. prior
quarter



vs. prior
year

New Entity Filings



vs. prior
quarter



vs. prior
year

Existing Entity Renewals



vs. prior
quarter



vs. prior
year

EMPLOYMENT FORECASTS



Q3 2019 vs. Q2 2019

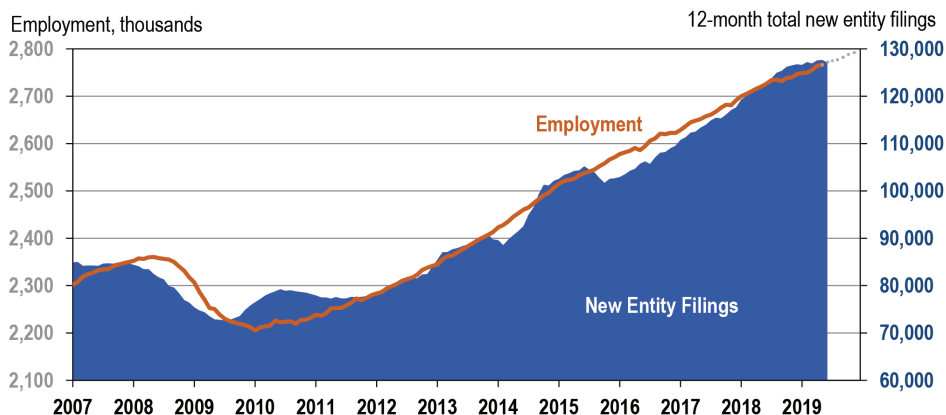


Q3 2019 vs. Q3 2018



Q4 2019 vs. Q3 2019

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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BUSINESS RESEARCH DIVISION

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Slower GDP growth. U.S. GDP grew at a seasonally adjusted annual rate of 2.1% in Q2 2019 according to the advance estimate from the Bureau of Economic Analysis (BEA), slowing from the 3.1% annualized growth recorded in Q1 2019. GDP grew 2.3% compared to the same quarter a year ago. Personal consumption expenditures recorded strong growth of 4.3%, government consumption expenditures increased 5%, and nonresidential fixed investment fell 0.6% for the quarter.

Colorado's economy grew 4.4% year-over-year in Q1 2019, and at an annualized rate of 3.6% for the quarter according to the BEA. The largest year-over-year percent gains were recorded in the Natural Resources and Mining Sector and in the Agriculture Sector.

Trade tensions impacting exports. As of May 2019, Colorado's total goods exports for the year decreased 9.6% year-over-year, opposing the 0.2% increase seen nationally. While goods trade composes only a small percentage of Colorado's GDP (2.3% in 2017), exporters are having a rough start to the year after a 3.3% year-over-year increase in exports in 2018. Goods exports for the year to Colorado's top three export partners, Canada, Mexico, and China, were down 5.1%, 28.5%, and 12.7%, respectively, over the same time period last year. The largest declines were seen in Beverages and Tobacco Products and Petroleum and Coal Products.

Job growth on the rise. According to preliminary data from the Bureau of Labor Statistics (BLS), a total of 224,000 jobs were added nationally in June 2019—an improvement from the 72,000 jobs added in May and higher than the 171,000 average job growth recorded over the last three months. This compares to average jobs growth of 223,000 per month in 2018 and 179,000 per month in 2017. The national unemployment rate fell slightly to 3.7% in June; both the labor force and the participation rate remained steady.

Initial jobless claims nationally decreased over the quarter but increased year-over-year in June. Colorado claims decreased both over the quarter and year-over-year

over the same period. Continuing claims in the state notched lower over the quarter and year-over-year, falling 16.5% and 6.2%, respectively. In June 2019, Colorado added 52,800 jobs year-over-year, with growth of 1.9%. The most jobs were added in the Professional and Business Services, Construction, and Government, which also recorded the fastest pace of growth (percent).

Colorado wages outpace the nation.

Based on data from the BLS, year-over-year total wages and wages per employee for the 12 months ending in Q4 increased 6.1% and 3.6%, respectively, in Colorado compared to 5% and 3.4% nationally. Colorado average wages totaled \$58,942 compared to \$57,265 nationally.

New entity filings continue to increase in Q2.

Total new entity filings increased 0.6% year-over-year in Q2 2019, but declined 11.4% quarter-over-quarter in a seasonal pattern that exists within the data. Over the 12 months ending in Q2 2019, a total of 127,103 new business filings were recorded, an increase of 3.6%. Given the relationship between new business filings, new business formation, and employment growth, the increase in filings points to continued job growth in the state throughout 2019.

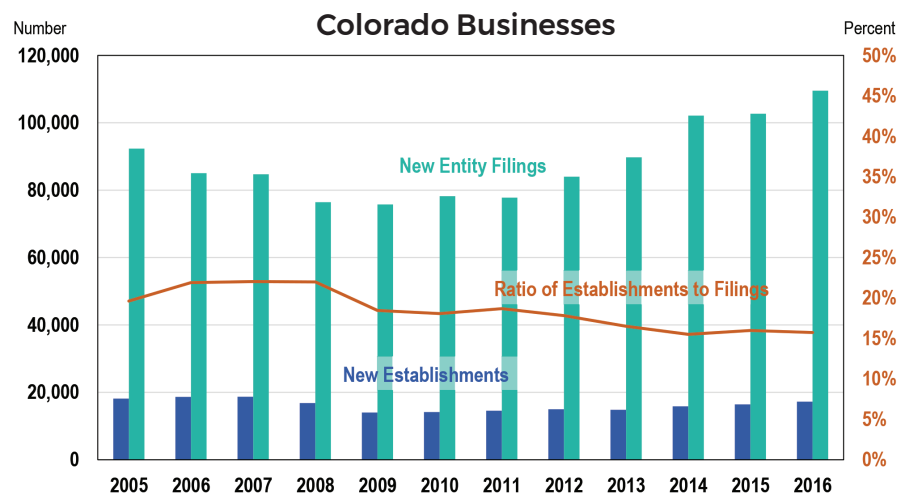
Existing entity filings up over 2018.

Existing entity renewals increased to 135,848 in Q2 2019, a moderate increase of 2.2% year-over-year. Entities in good standing staged an increase over the quarter, to 727,358, in Q2 2019.

Colorado business leaders remain neutral going into Q3 2019.

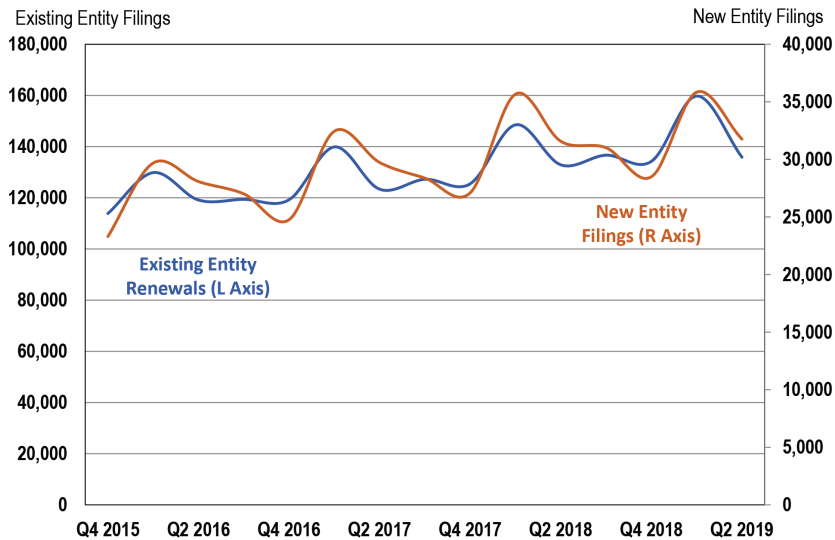
Business leaders' confidence both decreased from the previous quarter and the previous year. Confidence remained overall neutral ahead of Q3 2019 as measured by the Leeds Business Confidence Index. A measure of 50 indicates neutral expectations; the index was 50.5 ahead of the upcoming quarter. Panelists were slightly pessimistic about the national economy and neutral about the state economy, but remained slightly positive about industry sales, hiring, and capital expenditures. Respondents were most optimistic about industry sales expectations.

Building permits in Colorado decreased 11.3% over the past 12 months and 22.9% through the first five months of 2019 compared to the same period in 2018 according to Census Bureau data. Both single-family and multifamily permits decreased. Home prices in Colorado grew at the 28th-fastest pace nationally (4.8%) according to the Q1 2019 Federal Housing Finance Agency Purchase Only Index.



Source: 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 slowed in Q2. In the second quarter of 2019, new entity files grew 0.6% year-over-year—continuing a slow-growth trend observed in Q1. Existing entity renewals growth slowed to 2.2% year-over-year, the slowest pace since 2012.

A total of 31,762 new business filings were recorded in Colorado in Q2, representing a 0.6% increase over the same period in 2018. For the four quarters ending Q2 2019, a total of 127,103 new business filings were recorded in the state, or growth of 3.6%. Renewals of existing entities were 135,848 in Q2 2019, a moderate increase from the prior year. Trade names, trademarks, and dissolution filings all fell in the quarter.

	Q2 2019	Q1 2019	Q2 2018	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	24,672	27,668	24,227	1.8%	▲	6.0%	▲
Domestic Nonprofit Corporation	920	937	911	1.0%	▲	2.3%	▲
Domestic Corporation	2,740	3,328	2,915	-6.0%	▼	0.6%	▲
Other Entity Types	3,430	3,905	3,520	-2.6%	▼	5.3%	▲
Total New Entity Filings	31,762	35,838	31,573	0.6%	▲	5.2%	▲
Total New Entity Filings - 12 mo. trailing	127,103	126,914	122,712	3.6%	▲	6.5%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	82,839	100,076	79,945	3.6%	▲	9.1%	▲
Domestic Nonprofit Corporation	10,809	12,449	10,749	0.6%	▲	3.2%	▲
Domestic Corporation	25,175	30,233	25,692	-2.0%	▼	1.1%	▲
Other Entity Types	17,025	16,988	16,488	3.3%	▲	7.9%	▲
Total Existing Entity Renewals	135,848	159,746	132,874	2.2%	▲	6.7%	▲
Total Existing Entity Renewals - 12 mo. trailing	566,464	563,490	534,110	6.1%	▲	6.2%	▲
Other Business Filings							
Dissolution Filings	8,229	9,775	7,454	10.4%	▲	11.5%	▲
Dissolution Filings - 12 mo. trailing	34,260	33,485	30,801	11.2%	▲	10.7%	▲
Trademarks	895	952	954	-6.2%	▼	1.1%	▲
Trademarks - 12 mo. trailing	3,566	3,625	3,669	-2.8%	▼	3.4%	▲
Trade Names	11,287	12,508	11,505	-1.9%	▼	-0.2%	▼
Trade Names - 12 mo. trailing	44,273	44,491	44,247	0.1%	▲	0.3%	▲
Entities in Good Standing							
Corporation	123,259	123,305	124,207	-0.8%	▼	0.4%	▲
Foreign	78,461	77,243	73,197	7.2%	▲	7.4%	▲
Limited Liability Company	463,621	455,814	430,576	7.7%	▲	8.6%	▲
Nonprofit Corporation	50,396	50,227	49,462	1.9%	▲	2.4%	▲
Other Entity Types	11,621	11,572	11,544	0.7%	▲	2.3%	▲
Total Entities in Good Standing	727,358	718,161	688,986	5.6%	▲	6.2%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

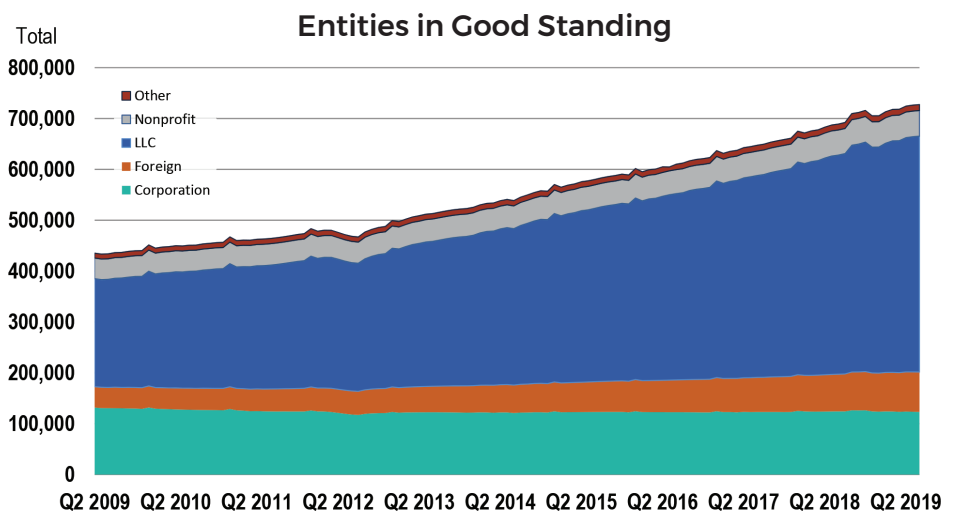
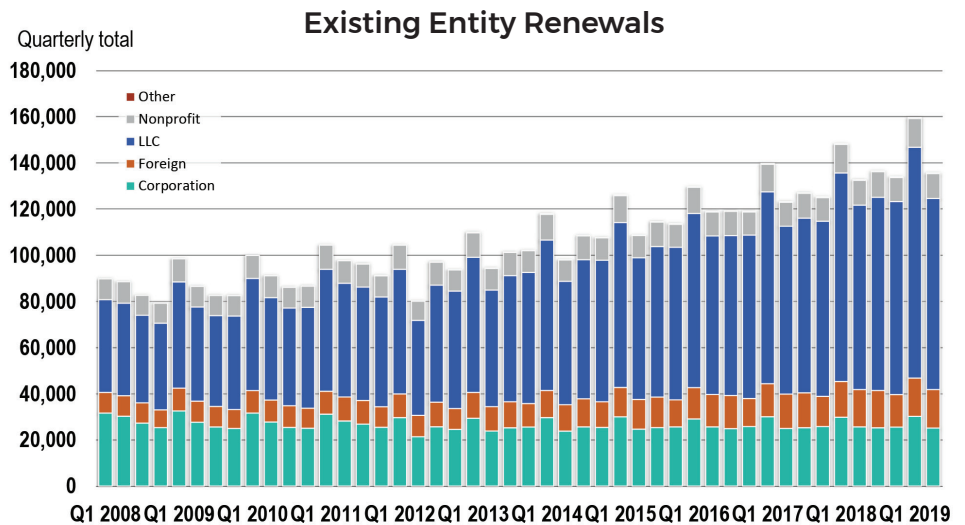
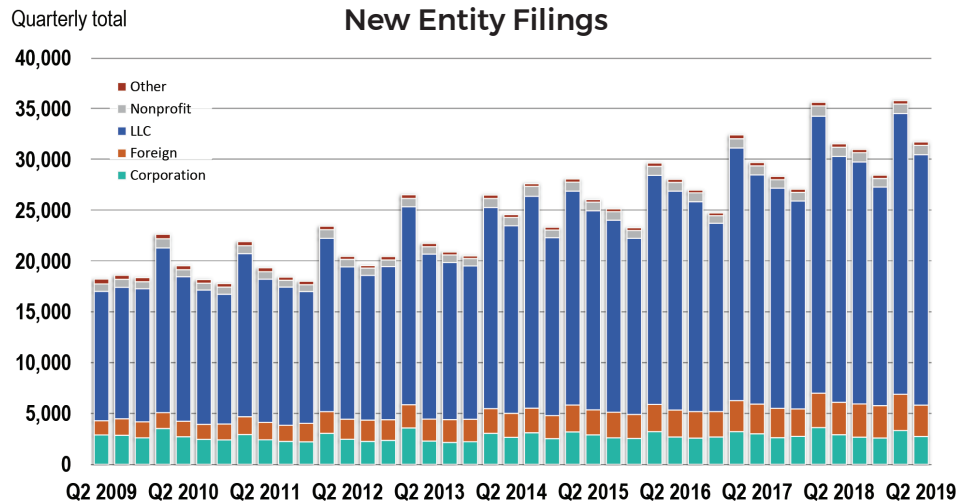
New business filings in Q2 2019 increased over Q1 2019

New entity filings increased by a modest 0.6% year-over-year, but decreased 11.4% over the prior quarter, illustrating the seasonal pattern in filings. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 3.6% increase in Q2 2019 compared to Q2 2018 and a 0.1% rise over Q1 2019. New filings for domestic corporations decreased over the prior year.

Business renewals fell in Q2. Renewals totaled 135,848 in Q2 2019, decreasing 15% compared to Q1 2019 but increasing 2.2% over the prior year. The four-quarter rolling total in Q2 2019 rose 6.1% year-over-year. Like new business filings, renewals also exhibit seasonality.

Number of businesses in good standing increased in Q2.

From Q1 2019 to Q2 2019, the number of entities in good standing in the state increased by 1.3%, and it grew 5.6% over Q2 2018. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.2%. Limited liability companies drove year-over-year growth (7.7%), followed by foreign entities (i.e., from outside the state) (7.2%).

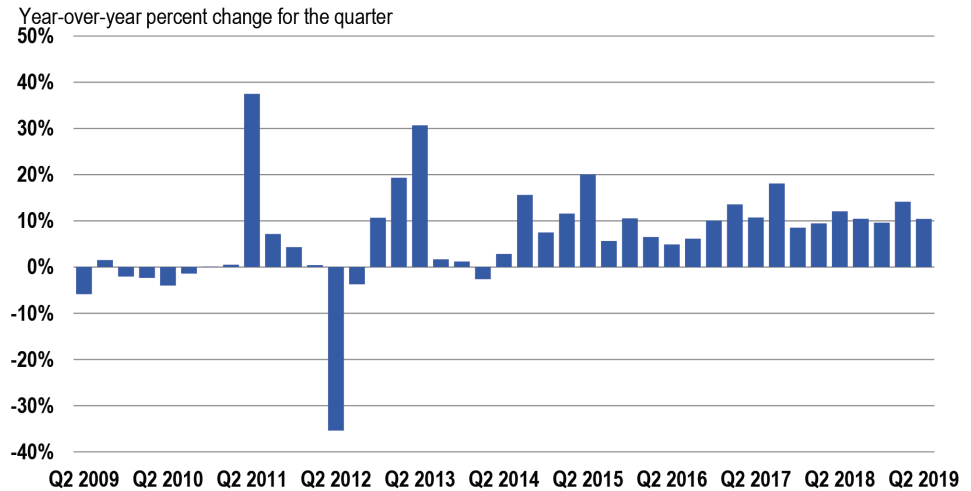


Dissolutions, Trade Names, & Trademarks

Dissolution filings decreased in Q2.

Dissolutions declined 15.8% in Q2 from the prior quarter but increased year-over-year. Dissolution filings increased 10.4% in Q2 2019 compared to Q2 2018, representing a total of 8,229 businesses dissolving. The 12-month rolling sum increased by 11.2% year-over-year, and increased over the prior quarter (2.3%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

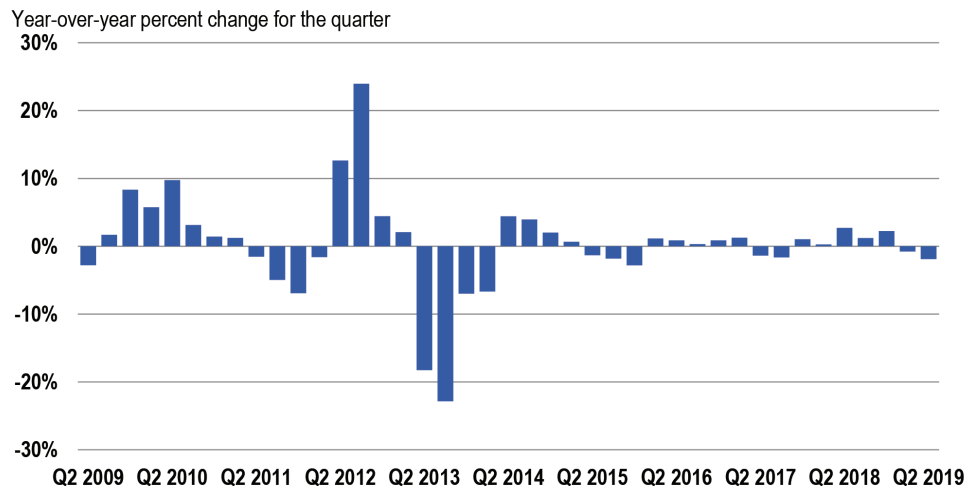
Dissolution Filings



Trade name filings down for the quarter.

In Q2 2019, a total of 11,287 trade names were filed, a decrease of 1.9% year-over-year and a decrease of 9.8% over the prior quarter. The 12-month trailing total of trade name filings—44,273—was up 0.1% year-over-year, but down 0.5% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

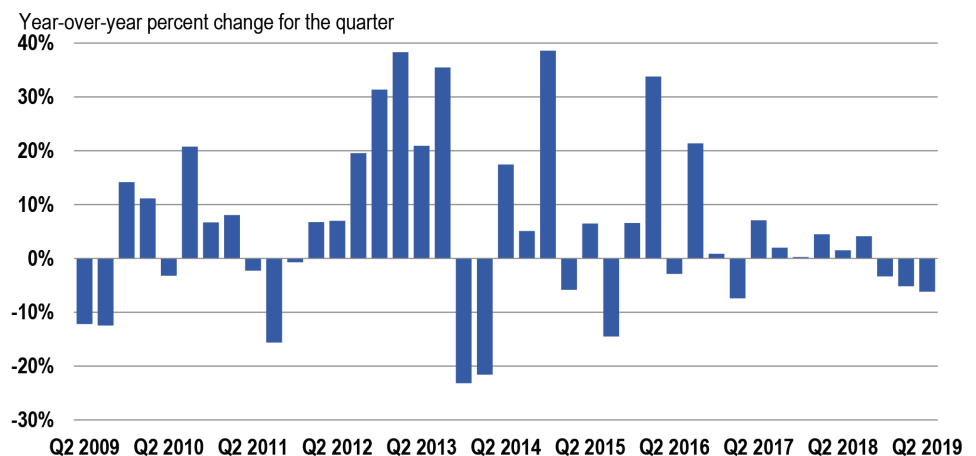
Trade Name Filings



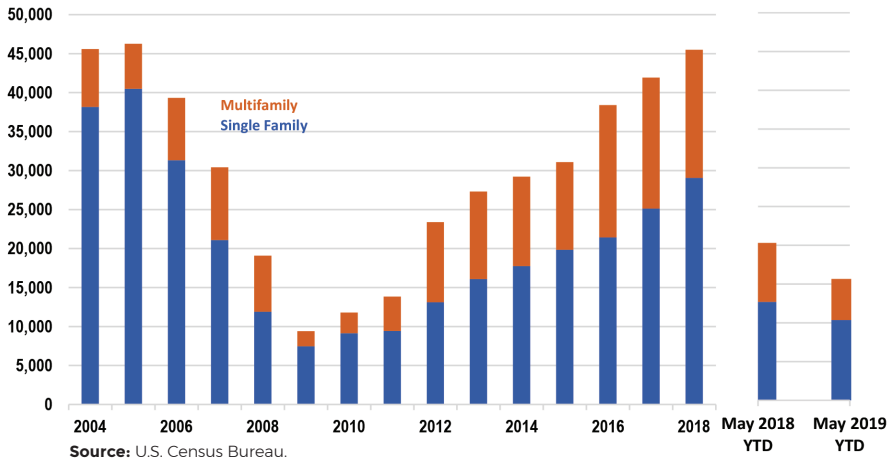
The total number of trademark filings declined in Q2.

Trademark filings decreased from 954 in Q2 2018 to 895 in Q2 2019, and decreased 6% over the prior quarter. The four-quarter rolling total of trademark filings also decreased in Q2 2019 by 2.8% over the prior year and fell 1.6% from Q1 2019. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Residential Building Permits



Colorado Economic Indicators

Colorado's construction industry is observing its slowest start to the year since 2016. As of May 2019, residential building permits for the year decreased 22.9% year-over-year, continuing the slowing trend that began in 2019. A combination of factors, including abnormally wet and cold weather throughout the state, could have contributed to the dip in permits. However, the value per permit has increased year-to-date, now at its highest level in three years. Single-family building continues to dominate year-to-date, with 66% of permits issued for single-family

units. Housing prices have cooled, growing only 4.8% year-over-year—much lower than the five-year compound annual growth rate of 9.3%.

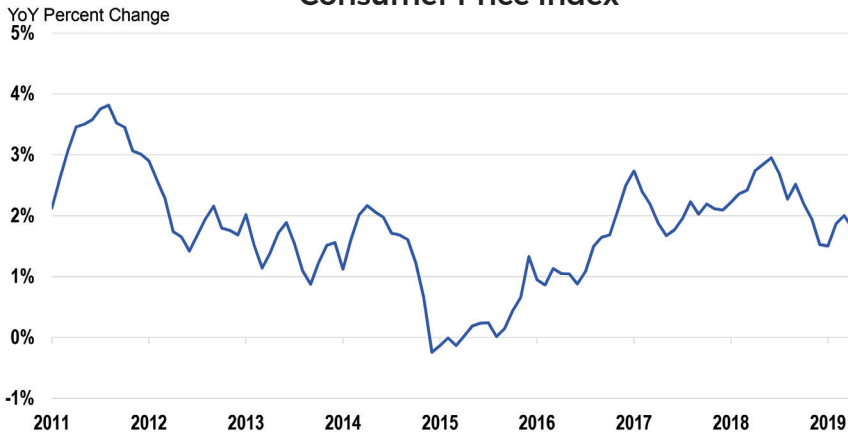
Colorado's labor market remains strong, with the unemployment rate decreasing to 3.0% in June from 3.5% in March, ranking the state 11th lowest in the country. While employment grew 1.9% year-over-year in June, growth was slower, with the most jobs added in the Professional and Business Services industry. The tight labor market continues to provide a boost to wages, growing 3.6% year-over-year in Q4 2018. Personal income rose by 5.1% year-over-year in Q1 2019 and 0.8% quarter-over-quarter.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	333.5	330.7	0.8%	▲	5.1%	▲	4.8%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	3.0	3.0	0.8%	▲	4.9%	▲	5.3%	▲
Sales Expectations (LBCI)	55.6	56.7	-1.9%	▼	-9.3%	▼	-2.6%	▼
Profit Expectations (LBCI)	52.4	55.5	-5.7%	▼	-12.5%	▼	-3.1%	▼
Business Outlays								
Annual Wages Per Employee (\$)	58,942	58,324	1.1%	▲	3.6%	▲	3.0%	▲
Hiring Expectations (LBCI)	51.0	54.1	-5.8%	▼	-14.4%	▼	-3.0%	▼
Capital Expenditures Expectations (LBCI)	51.1	51.8	-1.4%	▼	-10.2%	▼	-5.0%	▼
Retail Gasoline Price (dollars per gallon)	2.78	2.59	7.3%	▲	-3.9%	▼	-5.4%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	344.7	341.6	3.6%	▲	4.4%	▲	3.6%	▲
Employment (in thousands)	2,779.4	2,755.7	0.9%	▲	1.9%	▲	2.5%	▲
Unemployment Rate ^b	3.0%	3.5%	-0.5%	▼	-0.2%	▼	-2.0%	▼
Initial Jobless Claims	1,450	1,903	-23.8%	▼	-17.8%	▼	-14.8%	▼
Continuing Jobless Claims	17,305	20,735	-16.5%	▼	-6.2%	▼	-16.8%	▼
Building Permits, Number of Units, 12 mo. trailing	40,840	43,065	-5.2%	▼	-11.3%	▼	8.0%	▲
Valuation (millions of dollars), 12 mo. trailing	9,843	10,274	-4.2%	▼	-3.5%	▼	9.8%	▲
Foreclosures Filings, Number of Units	1,509	1,417	6.5%	▲	-4.1%	▼	-15.2%	▼
Number of Sales	370	299	23.7%	▲	-16.1%	▼	-26.4%	▼
FHFA Purchase-Only Home Price Index	474	469	1.1%	▲	4.8%	▲	9.3%	▲
Private Firms	202,153	203,271	-0.6%	▼	2.9%	▲	3.3%	▲
Rotary Rig Count	29	32	-9.4%	▼	-6.5%	▼	-15.7%	▼
Total Business Bankruptcy Filings	96	80	20.0%	▲	2.1%	▲	-5.1%	▼
Chapter 7	68	61	11.5%	▲	0.0%	▷	-6.3%	▼
Chapter 11	20	16	25.0%	▲	100.0%	▲	-1.0%	▼
Chapter 13	7	3	133.3%	▲	-30.0%	▼	-6.9%	▼
State Economy Expectations (LBCI)	49.6	51.9	-4.4%	▼	-21.7%	▼	-5.5%	▼

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 19); Colorado Department of Revenue, Office of Research and Analysis (NSA) (M4/19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 19); Colorado Department of Labor and Employment, QCEW (NSA) (Q4 18); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (07/01/19); Bureau of Economic Analysis, (SAAR) (Q1 19); Bureau of Labor Statistics, CES (SA) (06/19); Bureau of Labor Statistics, LAUS (SA) (06/19); U.S. Department of Labor, Employment and Training Administration (NSA) (07/06/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/19); Colorado Division of Housing, Foreclosure Report (Q1 19); FHFA Purchase-Only Home Price Index (SA) (Q1 19); Bureau of Labor Statistics, QCEW (Q4 2018); Baker-Hughes (07/03/19); Administrative Office of the U.S. Courts (Q1 19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q3 19).

^aCompound Annual Growth Rate. ^bPercentage point change.

Consumer Price Index



Source: Bureau of Labor Statistics.

National Economic Indicators

Inflation continues to rise through the first five months of 2019, albeit at a slower rate.

After prices saw a steady increase in year-over-year growth from 2015 through Q3 2018, the seasonally adjusted Consumer Price Index (CPI) has been on a downward trend, putting increased scrutiny on the Federal Reserve after four rate hikes in 2018. Consumer prices increased 1.8% year-over-year in May 2019, while core CPI and shelter prices grew 2% and 3.4%, respectively, over the same period.

GDP grew at a 2.1% annualized rate in the first quarter of 2019 and 2.3% year-over-year. Employment also continued to grow moderately, increasing 1.5% year-over-year in June 2019, with the unemployment rate remaining near 50-year lows, at 3.7%. Personal income and average annual wages grew year-over-year, at 3.8% and 3.4%, respectively. The S&P 500 is up over 17% year-to-date at the end of June 2019 and 8% year-over-year; however, it is up only 0.4% from its September 2018 high.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	17,976	17,835	0.8%	▲	3.8%	▲	4.2%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	6,077.6	6,034.7	0.7%	▲	4.3%	▲	3.8%	▲
S&P 500	2,974.5	2,895.8	2.7%	▲	7.8%	▲	8.4%	▲
Annual Wages Per Employee	57,265	56,798	0.8%	▲	3.4%	▲	3.5%	▲
Business Outlays								
Consumer Price Index	255.2	253.1	0.8%	▲	1.8%	▲	1.5%	▲
Core Inflation (All Items Less Food & Energy)	262.0	261.0	0.4%	▲	2.0%	▲	2.0%	▲
Shelter	317.1	314.0	1.0%	▲	3.4%	▲	3.3%	▲
Retail Gasoline Price (dollars per gallon)	2.80	2.77	1.0%	▲	-4.3%	▼	-5.7%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	19,024	18,927	2.1%	▲	2.3%	▲	2.5%	▲
Employment (in thousands)	151,308	150,796	0.3%	▲	1.5%	▲	1.7%	▲
Unemployment Rate ^b	3.7%	3.8%	-0.1%	▼	-0.3%	▼	-2.4%	▼
Initial Jobless Claims (4-Week Moving Average)	222,000	224,000	-0.9%	▼	1.4%	▲	-6.9%	▼
Continuing Jobless Claims (4-Week Moving Average)	1,666,000	1,744,000	-4.5%	▼	-3.9%	▼	-8.5%	▼
Building Permits, Number of Units, 12 mo. trailing	1,304,927	1,314,612	-0.7%	▼	-0.6%	▼	5.6%	▲
Valuation (millions of dollars), 12 mo. trailing	264,064	266,706	-1.0%	▼	-0.7%	▼	7.9%	▲
FHFA Home Price Index	268.8	265.7	1.1%	▲	5.1%	▲	5.8%	▲
Rotary Rig Count	963	1,025	-6.0%	▼	-8.5%	▼	-12.5%	▼
Total Business Bankruptcy Filings	5,614	5,855	-4.1%	▼	-1.0%	▼	-4.3%	▼
Chapter 7	3,402	3,451	-1.4%	▼	1.4%	▲	-6.0%	▼
Chapter 11	1,629	1,782	-8.6%	▼	-5.2%	▼	-0.1%	▼
Chapter 13	436	457	-4.6%	▼	-5.2%	▼	-6.5%	▼
National Economy Expectations (LBCEI)	43.1	46.2	-6.7%	▼	-24.4%	▼	-5.6%	▼

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 19); U.S. Census Bureau (NSA) (4/19); Yahoo Finance (7/8/19); Bureau of Labor Statistics, QCEW (NSA) (4 18); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (5/19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (7/1/19); Bureau of Economic Analysis (SAAR) (Q2 19); Bureau of Labor Statistics, CES (SA) (6/19); Bureau of Labor Statistics (SA) (6/19); U.S. Department of Labor, Employment and Training Administration (SA) (6/8/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (5/19); FHFA Purchase-Only Home Price Index (SA) (Q1 19); Baker-Hughes (7/3/19); Administrative Office of the U.S. Courts (Q1 19); Leeds School of Business, Leeds Business Confidence Index (LBCEI) (Q3 19).

^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.

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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 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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