

INDICATORS

Employment (SA)



vs. prior quarter



vs. prior year

New Entity Filings



vs. prior quarter



vs. prior year

Existing Entity Renewals



vs. prior quarter



vs. prior year

Unemployment



vs. prior quarter



vs. prior year

EMPLOYMENT FORECASTS



Q3 2012 vs. Q2 2012



Q3 2012 vs. Q3 2011



Q4 2012 vs. Q4 2011

Scott Gessler  
Colorado Secretary of State  
1700 Broadway, Suite 200  
Denver, CO 80290  
www.sos.state.co.us

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.

Slow Growth Rounding Out 2012

**Business filings gave mixed signals in the quarter.** The Colorado Secretary of State recorded a slight increase year-over-year in the number of new entity filings, portending medium-term job growth. Colorado recorded more than 79,400 new entities over the last 12 months ending in June. Entities in good standing increased 0.9% year-over-year. In contrast, existing entity renewals fell 17.9%.

**Predictive models forecast soft employment growth.** A forecast model based on the correlation between new entity filings and total nonfarm employment points to year-over-year employment growth in Q3 2012. Employment will be relatively flat compared to Q2 2012. Seasonally adjusted (SA) employment for the fourth quarter of 2012 is expected to be flat year-over-year.

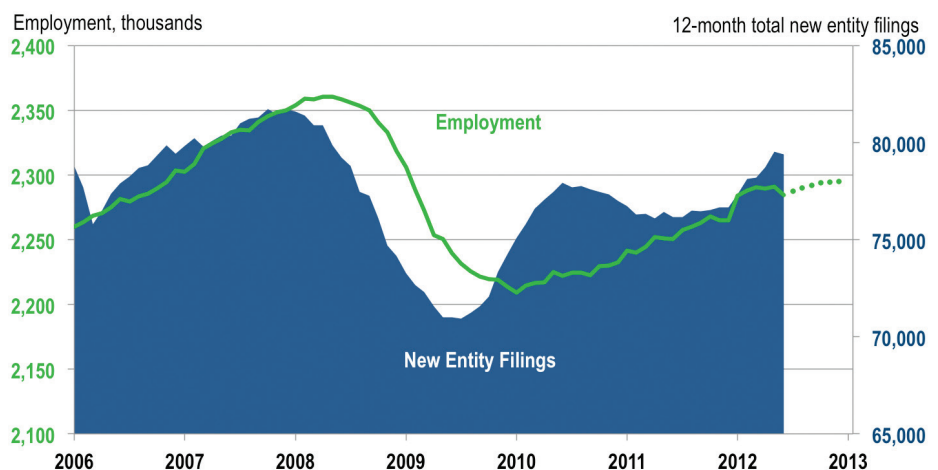
**Business leaders' optimism weakens.** Colorado business leaders' expectations for economic trends dropped in Q3, but remained optimistic overall. According to the Leeds Business Confidence Index, business leaders reported positive expectations for sales, profits, hiring, and capital expenditures. While confidence in the state economy retreated from Q2 to Q3, business leaders remained positive. However,

confidence slipped below neutral for the national economy.

**Employment, wages, and wealth show conflicting trends.** Despite overall employment growth in Q2, the June employment numbers showed a net loss of total employment for the month compared to May. The lack of jobs growth, coupled with an increased labor force, resulted in an uptick in the Colorado unemployment rate to 8.2%. Quarterly data show annual wages and personal income have increased in Colorado, while measures of wealth (e.g., home prices and the S&P 500) are muted. Fuel prices dropped for the quarter, resulting in a positive income effect for consumers.

**Headwinds persist.** While the data demonstrate the economy is generally improving, some metrics show lingering softness. The eurozone crisis and London Interbank Offered Rate (LIBOR) manipulation scandal expose risks to the global financial system. Business uncertainty surrounding U.S. elections and spending sequestration give pause domestically. Extreme drought conditions weigh on agriculture output and are resulting in high commodity prices that will impact food and energy.

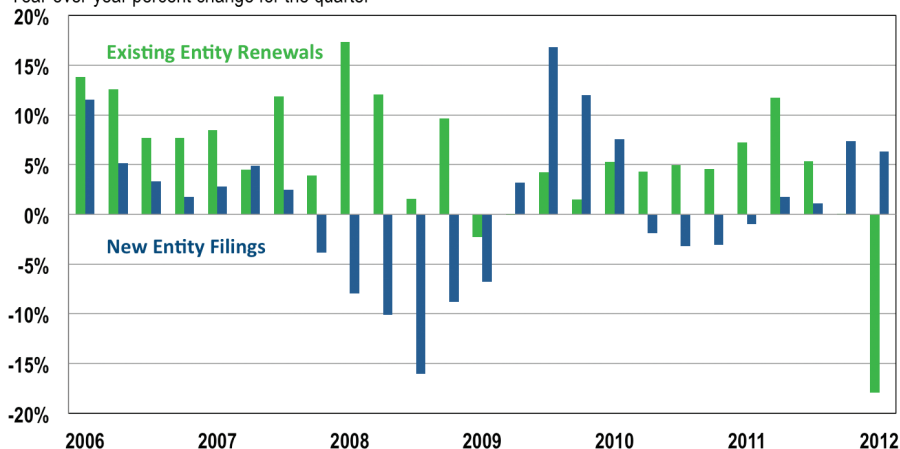
Employment and New Entity Filings



Note: Solid employment line displays actual seasonally adjusted employment numbers; dotted line reflects calculated forecasts. Source: Seasonally adjusted Colorado total nonfarm employment from the Colorado Department of Labor and Employment, Current Employment Statistics (CES), calculations by BRD research team.

## Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



## Business Filings Overview

### Existing entity renewals dropped sharply in Q2 2012.

Bucking a 10-quarter run of gains, the number of existing entity renewals for the quarter declined 17.9% compared to Q2 2011. This is an unprecedented decline between 2006 and 2012. Over the same period, new entity filings rose 6.3%, posting a fourth consecutive quarter of growth. Dissolution filings decreased and trade names filing improved in Q2 2012 over the prior quarter, which are positive signs for the state, while trademark filings slumped. The running tally of entities in good standing decreased for all entity types from Q1 to Q2 2012.

	Current Period <sup>a</sup>	Prior Period <sup>a</sup>	1 Year Ago	Percent Change over Prior Year		5-Year CAGR <sup>b</sup>	
<b>New Entity Filings</b>							
Domestic Limited Liability Company	14,697	16,364	13,862	6.0%	▲	1.5%	▲
Domestic Nonprofit Corporation	742	828	734	1.1%	▲	-2.5%	▼
Domestic Corporation	2,457	2,909	2,413	1.8%	▲	-9.2%	▼
Other Entity Types	2,353	2,498	2,040	15.3%	▲	0.2%	▲
Total New Entity Filings	20,249	22,599	19,049	6.3%	▲	-0.6%	▼
Total New Entity Filings - 12 mo. trailing	79,419	76,159	76,159	4.3%	▲	-0.2%	▼
<b>Existing Entity Renewals</b>							
Domestic Limited Liability Company	39,755	51,486	47,397	-16.1%	▼	5.6%	▲
Domestic Nonprofit Corporation	8,328	10,444	9,797	-15.0%	▼	1.3%	▲
Domestic Corporation	21,397	29,704	28,227	-24.2%	▼	-4.9%	▼
Other Entity Types	10,820	12,955	12,415	-12.8%	▼	1.8%	▲
Total Existing Entity Renewals	80,300	104,589	97,836	-17.9%	▼	1.2%	▲
Total Existing Entity Renewals - 12 mo. trailing	372,670	375,439	375,439	-0.7%	▼	4.3%	▲
<b>Other Business Filings</b>							
Dissolution Filings	3,551	4,956	5,500	-35.4%	▼	-0.4%	▼
Dissolution Filings - 12 mo. trailing	18,077	19,531	19,531	-7.4%	▼	3.9%	▲
Trademarks	598	760	559	7.0%	▲	-2.7%	▼
Trademarks - 12 mo. trailing	2,399	2,406	2,406	-0.3%	▼	2.3%	▲
Trade Names	13,348	12,698	11,863	12.5%	▲	2.5%	▲
Trade Names - 12 mo. trailing	46,852	46,917	46,917	-0.1%	▼	-0.3%	▼
<b>Entities in Good Standing</b>							
Corporation	118,088	123,066	124,165	-4.9%	▼	-2.7%	▼
Foreign	46,493	46,587	44,219	5.1%	▲	3.9%	▲
Limited Liability Company	252,021	257,306	243,588	3.5%	▲	6.8%	▲
Nonprofit Corporation	41,908	43,044	42,204	-0.7%	▼	2.0%	▲
Other Entity Types	9,940	10,227	10,146	-2.0%	▼	0.3%	▲
Total Entities in Good Standing	468,450	480,230	464,322	0.9%	▲	3.1%	▲

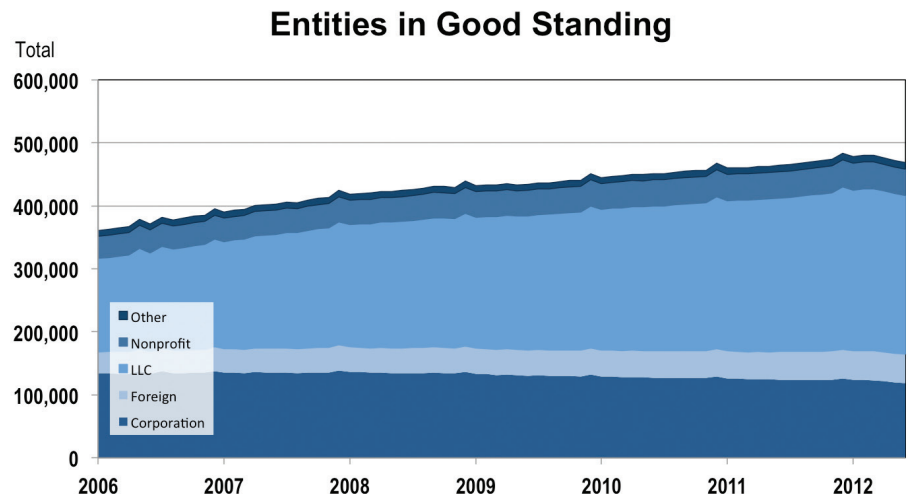
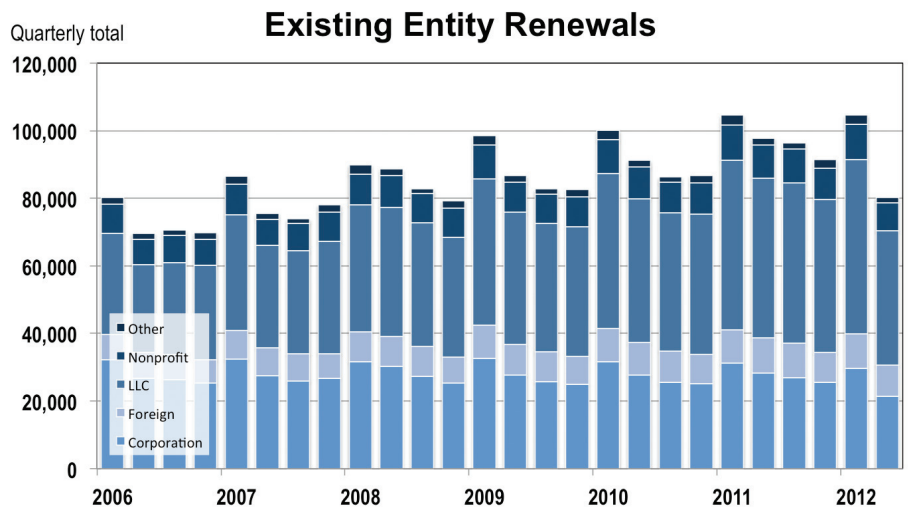
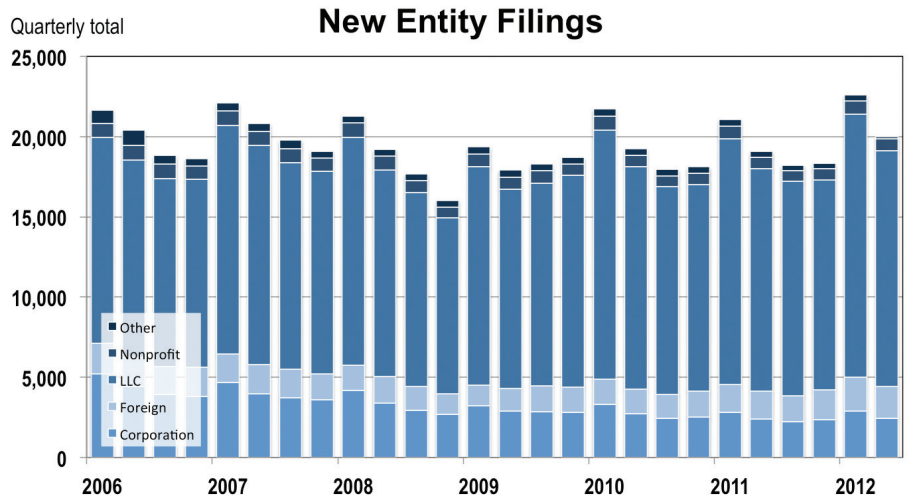
<sup>a</sup>Periods are quarters unless otherwise noted. <sup>b</sup>Compound Annual Growth Rate.

## New Entity Filings & Existing Entity Renewals

**The year ending June 2012 posted 4.3% more new entity filings than the previous 12 months.** As these filings are a leading indicator, this improvement is a promising sign for Colorado's future economic picture. Some 20,000 new entities submitted filings over the three months ending June 2012. This is the highest Q2 new entity filings number since 2007. Reflecting seasonality, new entity filings were down over 10% compared to the previous quarter.

**Existing entity renewals were weak in Q2 2012.** For the 12 months ending in June, 372,670 entities filed annual reports, 0.7% fewer than in the previous 12 months. The number of existing entity renewals declined 23.2% during the second quarter of 2012 compared to Q1 2012. While part of this decline can be attributed to seasonality, this is an unimpressive showing even for a second quarter. As existing entity renewals tend to follow the greater economy, this flattening speaks to a currently lackluster business climate in Colorado.

**The number of entities in good standing has waned in recent months.** In tandem with declines in existing entity renewals, the number of entities in good standing backtracked to 468,450 entities, a 2.5% drop over three months. Compared to a year earlier, though, the number is up for limited liability companies and foreign entities. Over the past five years, the number of domestic corporations in good standing has diminished (-2.7% annually), pointing to a shift in entity types. Over the same period, domestic limited liability companies have presented the strongest five-year growth (6.8%).



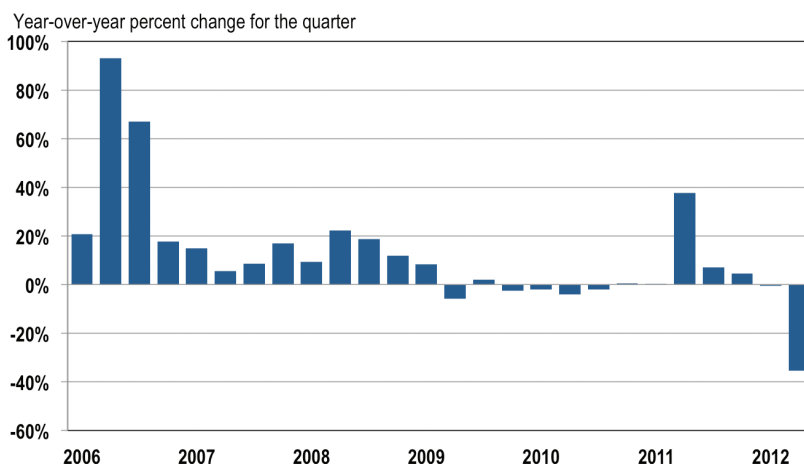
## Dissolutions, Trade Names, & Trademarks

**Dissolution filings plunged dramatically year-over-year.** The number of dissolution filings in Q2 2012 dropped 28.3% from Q1 2012 levels. What's more, filings over the 12 months ending Q2 2012 were 7.4% lower than in the previous year. During Q2 2012, fewer than 3,600 businesses submitted dissolution filings. As entities do not always voluntarily dissolve without delay, dissolution filings often lag the actual business dissolution. A decreasing number of entities in good standing may mean there are more dissolution filings in the pipeline.

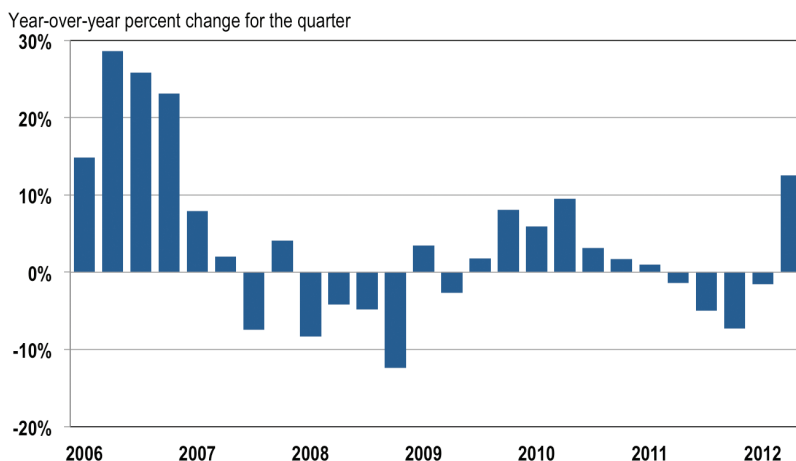
**Trade name filings expanded in Q2 2012.** In order to register the name a business operates under, entities must file a statement of trade name. The Colorado Secretary of State received 13,348 trade name filings in Q2, a 5.1% increase versus the previous quarter. This jump helped wash out recent year-over-year declines in trade name filings; the 12 months ending June 2012 was nearly flat (-0.1%) compared to the previous year. Over the past five years, trade name filings were slightly down.

**Trademark filings, on the other hand, fell short.** Registering a trademark protects symbols and words that an entity uses in commerce. In Q2 2012, trademarks amounted to 598 filings, 21.3% fewer than filed during the previous quarter. Trademark filings for the year ending Q2 2012 totaled 2,399, just under the previous year's number (2,406). Even so, the annual number of trademark filings has grown over the past five years.

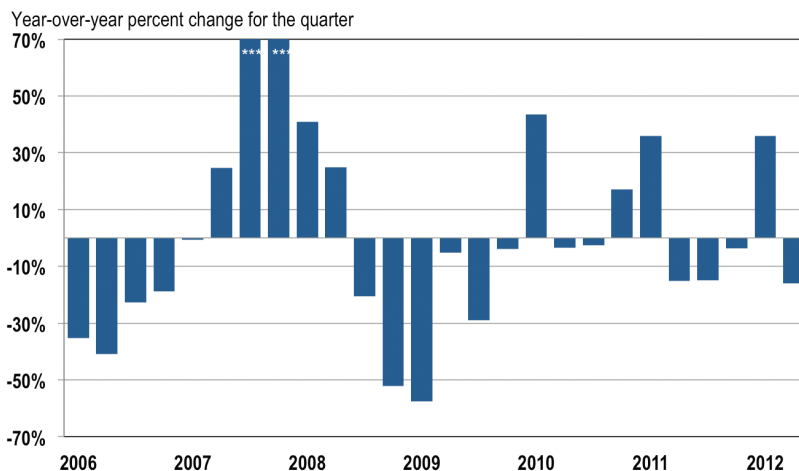
### Dissolution Filings



### Trade Name Filings



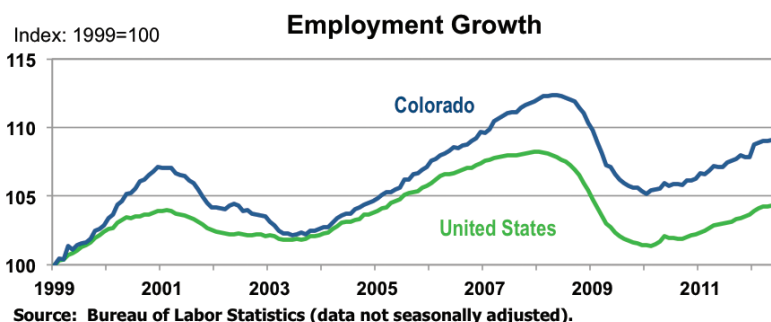
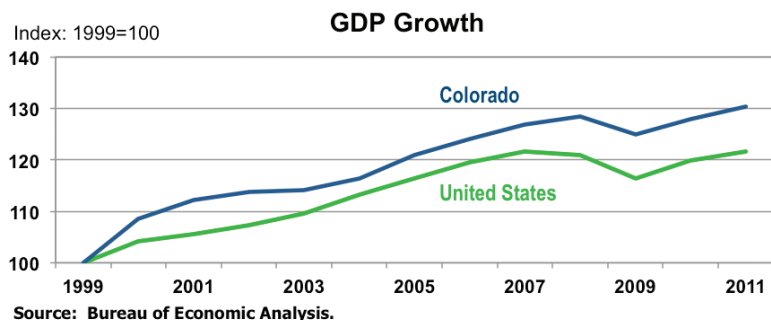
### Trademark Filings



\*\*\*Actual value exceeds 100%.

## Colorado Economic Indicators

**Economic growth in Colorado is outperforming the nation.** Year-over-year growth in output and employment in Colorado are increasing faster than the nation. The state has seen strong year-over-year growth in retail sales, which bodes well for business and for state coffers. The construction industry is also rebounding, with strong year-over-year increases in residential and nonresidential construction activity. Bankruptcies and foreclosures have decreased, demonstrating less strain on businesses and households. Of concern is the slow rate of employment growth, the stubbornly high unemployment rate, and soft wage increases. Additionally, the severe drought stretches well beyond Colorado and will negatively impact farm income and consumer prices. Business leaders indicated muted expectations for Q3 2012 in the latest Leeds Business Confidence Index.



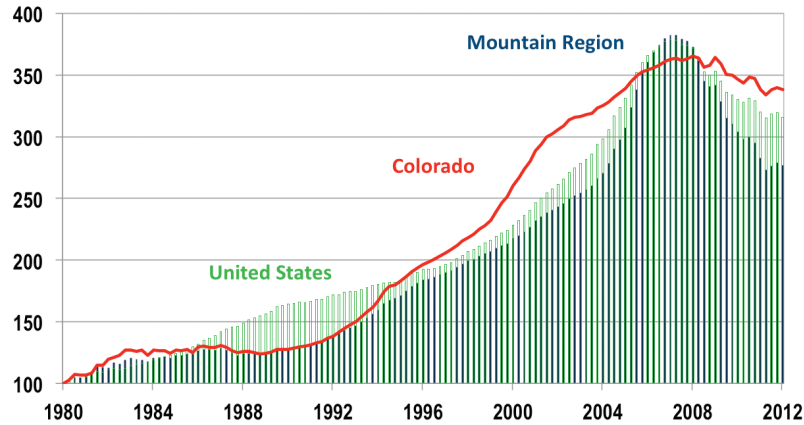
	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>		
<b>Wealth</b>									
Personal Income (millions of dollars)	230,055	227,961	0.9%	▲	3.6%	▲	2.9%	▲	
Retail Sales, 12 mo. trailing (millions of dollars)	156,964	154,816	1.4%	▲	6.2%	▲	2.5%	▲	
Taxable Sales, 12 mo. trailing (millions of dollars)	70,907	69,764	1.6%	▲	5.5%	▲	0.9%	▲	
Sales Expectations (LBCI) <sup>b</sup>	58.1	64.6	-10.1%	▼	4.1%	▲	-1.2%	▼	
Profit Expectations (LBCI)	54.9	60.8	-9.6%	▼	3.4%	▲	-0.1%	▼	
<b>Business Outlays</b>									
Annual Wages per Employee	49,080	49,424	-0.7%	▼	2.5%	▲	2.4%	▲	
Hiring Expectations (LBCI)	53.7	59.6	-10.0%	▼	3.3%	▲	-0.7%	▼	
Capital Expenditures Expectations (LBCI)	52.6	58.9	-10.8%	▼	-1.5%	▼	-1.0%	▼	
Retail Gasoline Price (dollars per gallon)	3.62	3.66	-1.3%	▼	2.1%	▲	2.5%	▲	
<b>Economic Overview</b>									
Employment (in thousands)	2,288.5	2,287.6	0.0%	▲	1.7%	▲	-0.3%	▼	
Unemployment Rate	8.2%	7.8%	0.4%	▲	-0.2%	▼	--	--	
Initial Jobless Claims	3,173	2,759	15.0%	▲	4.9%	▲	9.5%	▲	
Continuing Jobless Claims	41,574	51,827	-19.8%	▼	-16.7%	▼	14.8%	▲	
Building Permits, Number of Units	5,578	3,022	84.6%	▲	63.5%	▲	-14.9%	▼	
Building Permits, Valuation (millions of dollars)	1,152	614	87.7%	▲	50.2%	▲	-19.8%	▼	
FHFA Purchase-Only Home Price Index	257	259	-0.6%	▼	-0.5%	▼	-1.6%	▼	
Foreclosure Filings	7,783	8,540	-8.9%	▼	-3.7%	▼	--	--	
Total Business Bankruptcy Filings	219	266	-17.7%	▼	-25.0%	▼	8.7%	▲	
Chapter 7	182	220	-17.3%	▼	-24.2%	▼	8.3%	▲	
Chapter 11	25	31	-19.4%	▼	-28.6%	▼	12.3%	▲	
Chapter 13	12	15	-20.0%	▼	-25.0%	▼	11.4%	▲	
State Economy Expectations (LBCI)	56.6	67.1	-15.6%	▼	10.6%	▲	0.3%	▲	

Sources: Bureau of Economic Analysis, Quarterly Personal Income (SA); Colorado Department of Revenue (NSA); Leeds School of Business, Leeds Business Confidence Index (LBCI); Colorado Department of Labor and Employment, QCEW (NSA); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices; Bureau of Labor Statistics, CES (SA); Bureau of Labor Statistics, (SA); U.S. Department of Labor, Employment and Training Administration (NSA); Census Bureau, New Privately Owned Housing Units Authorized (NSA); FHFA Purchase-Only Home Price Index (SA); Colorado Department of Local Affairs, Colorado Division of Housing; Administrative Office of the U. S. Courts. Leeds School of Business, Leeds Business Confidence Index (LBCI); Current data available as of July 20, 2012. <sup>a</sup>Compound Annual Growth Rate.

## National Economic Indicators

### Home Prices

Home Price Index, 1980=100



Sources: Federal Housing Finance Agency (All Transactions Indices).

### U.S. and Colorado economic metrics are mixed.

Despite soft housing prices, the residential construction industry is demonstrating strength in building permits and permit values. The FHFA purchase-only price index fell about one-half percent for the quarter for the nation and the state. Colorado's unemployment rate slipped to the national rate of 8.2%. While energy prices have eased, food commodities are notching up due to severe drought conditions. Colorado business leaders are slightly more optimistic about Colorado's economy than they are about the U.S. economy. Similar to Colorado, the employment situation continues to show weakness with high unemployment and slow employment growth.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR <sup>a</sup>		
<b>Wealth</b>									
Personal Income (billions of dollars)	13,162	12,955	1.6%	▲	3.4%	▲	2.5%	▲	
Retail Sales (billions of dollars)	4,265.4	4,205.0	1.4%	▲	7.5%	▲	1.7%	▲	
S&P 500	1,362.2	1,408.5	-3.3%	▼	3.1%	▲	-2.0%	▼	
<b>Business Outlays</b>									
Annual Wages Per Employee	48,040	48,257	-0.5%	▼	2.8%	▲	1.6%	▲	
Core Price Index	229.5	229.4	0.0%	▲	1.7%	▲	2.0%	▲	
Energy	244.2	253.5	-3.7%	▼	-3.9%	▼	2.0%	▲	
Transportation Services	273.2	270.6	1.0%	▲	1.8%	▲	3.2%	▲	
Retail Gasoline Price (dollars per gallon)	3.49	3.92	-11.2%	▼	-6.7%	▼	2.4%	▲	
<b>Economic Overview</b>									
Employment (in thousands)	133,009	132,681	0.2%	▲	1.4%	▲	-0.7%	▼	
Unemployment Rate	8.2%	8.2%	0.0%	▷	-0.9%	▼	--	--	
Initial Jobless Claims	370,460	323,373	14.6%	▲	-8.9%	▼	4.8%	▲	
Continuing Jobless Claims	3,145,031	3,636,706	-13.5%	▼	-11.6%	▼	6.0%	▲	
Building Permits, Number of Units	205,249	149,779	37.0%	▲	26.4%	▲	-13.2%	▼	
Building Permits, Valuation (millions of dollars)	35,145	24,249	44.9%	▲	27.3%	▲	-12.0%	▼	
FHFA Home Price Index	179.4	180.4	-0.5%	▼	0.4%	▲	-4.3%	▼	
Total Business Bankruptcy Filings	10,998	13,030	-15.6%	▼	-11.1%	▼	11.9%	▲	
Chapter 7	7,387	9,142	-19.2%	▼	-14.3%	▼	12.7%	▲	
Chapter 11	2,464	2,682	-8.1%	▼	-5.4%	▼	13.9%	▲	
Chapter 13	910	989	-8.0%	▼	-10.8%	▼	4.7%	▲	
National Economy Expectations (LBCI) <sup>b</sup>	46.0	62.2	-26.2%	▼	4.5%	▲	-1.6%	▼	

Sources, in order as they appear: Bureau of Economic Analysis, Quarterly Personal Income (SA), U.S. Census Bureau (NSA), Bloomberg, Bureau of Labor Statistics, QCEW (NSA); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (NSA); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices; Bureau of Labor Statistics, CES (SA); Bureau of Labor Statistics, (SA); U.S. Department of Labor, Employment and Training Administration (NSA); Census Bureau, New Privately Owned Housing Units Authorized (NSA); FHFA Purchase-Only Home Price Index (SA); Administrative Office of the U. S. Courts; Leeds School of Business, Leeds Business Confidence Index (LBCI); Current data available as of July 20, 2012. <sup>a</sup>Compound Annual Growth Rate.

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. Visit [www.leeds.colorado.edu/brd](http://www.leeds.colorado.edu/brd) to learn more.

Copyright © 2012. Business Research Division, Leeds School of Business, University of Colorado Boulder, and the Colorado Department of State.