

Secretary of State Business Filings Q3 2018 Data Analysis Summary

- Colorado's economy outperforming most of the country.
- Growth will continue in Q4 2018 and Q1 2019.
- Colorado new entity filings grew in Q3 compared to a year ago.
- Save for an increase in dissolutions, business filings were positive.
- Urban areas still outperforming rural Colorado.

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



Q4 2018 vs. Q3 2018

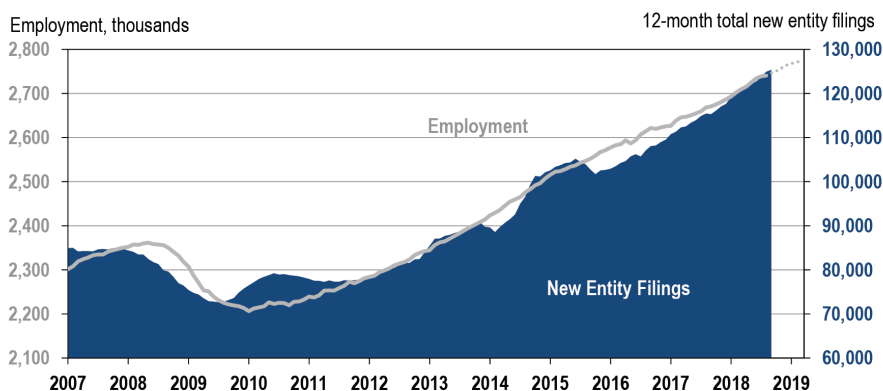


Q4 2018 vs. Q4 2017



Q1 2019 vs. Q4 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 Q3 2018 Data Analysis Summary

Rural counties accelerate, but urban counties continue to outperform.

Measuring job growth, Colorado's urban counties continue to outperform rural counties in the pace of job growth. Over the last 12 months ending in Q1 2018, urban counties collectively grew 2.4% versus 1.8% for rural counties. However, over the last 21 months, the average pace of growth has increased from 1.2% to 1.8%.

Strong GDP growth. U.S. GDP accelerated growth in Q2, increasing at a seasonally adjusted annual rate of 4.2% according to the second estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures recorded strong growth of 3.8%, while nonresidential fixed investment expanded 8.7% and government consumption expenditures increased 2.5%.

Colorado's economy grew 4.5% year-over-year in Q1 2018 and at an annualized rate of 3% for the quarter according to the BEA. The largest year-over-year gains were recorded in the Information Sector and in Mining.

Job growth on the rise. According to the Bureau of Labor Statistics, a total of 134,000 jobs were added nationally in September 2018. Employment growth in the first nine months of 2018 averaged 208,000 compared to 170,000 in the same period in 2017. The national unemployment rate decreased to 3.7% in September; both the labor force and the number employed increased.

Initial and continuing jobless claims in Colorado are at levels not seen since 2000. In August 2018, Colorado added approximately 72,200 jobs year-over-year, growth of 2.7%. The highest number of jobs was added in the Professional and Business Services industry and in the Leisure and Hospitality industry. The fastest pace of growth was recorded in the Mining Sector (including oil and gas), and in the Leisure and Hospitality Sector.

Colorado wages outpace the nation.

Based on data from the Bureau of Labor Statistics, year-over-year total wages and

wages per employee for the 12 months ending in Q1 increased 5.5% and 3.1%, respectively, in Colorado, compared to 4.1% and 2.6% nationally. Colorado average wages totaled \$57,436 compared to \$55,928 nationally.

Colorado personal income increased \$17.2 billion in Q2 2018 year-over-year, a 5.7% year-over-year increase according to the BEA.

Gasoline prices increased 18.2% over the last 12 months. Demonstrating higher price growth, the Consumer Price Index in the Denver-Aurora-Lakewood region increased 3.2% (compared to 2.5% nationally) in the first half of 2018 year-over-year, while core inflation (all items less food and energy) rose 2.9% (versus 2.1%) and shelter climbed 3.4% (versus 3.3%).

New entity filings continue to increase in Q3.

Total new entity filings increased 9.3% year-over-year in Q3 2018, but declined 1.8% in seasonal fashion. Over the 12 months ending in Q3 2018, a total of 125,356 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 and into 2019.

Existing entity filings up over 2017.

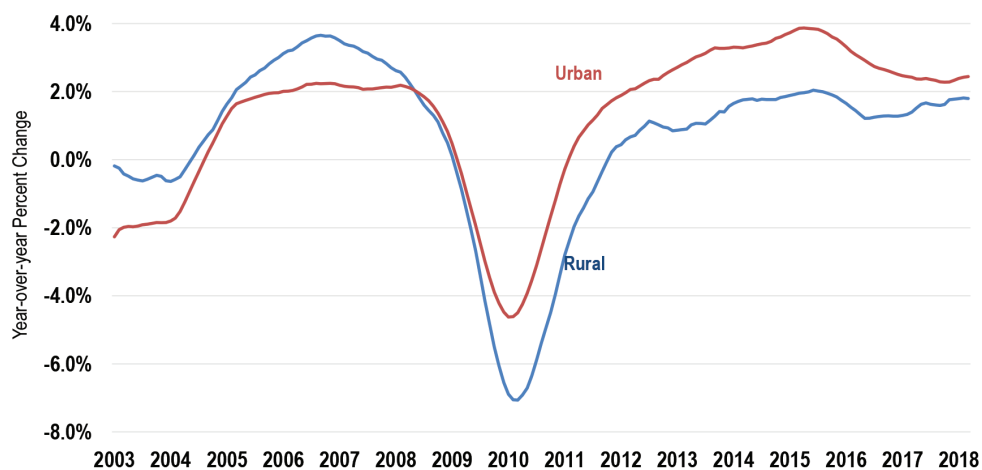
Existing entity renewals increased to 136,752 in Q3 2018, a bump of 7.5% year-over-year. Entities in good standing reached 711,818 in Q3 2018—a record for Colorado.

Colorado business leaders are slightly less optimistic.

Business leaders' confidence remained positive ahead of Q4 2018 and Q1 2019 as measured by the Leeds Business Confidence Index. A measure of 50 indicates neutral expectations; the index was 56.4 and 52.3 ahead of the two respective quarters. While the index remains decidedly positive, this does reflect a downward trending level of optimism.

Building permits increased 2.8% in Colorado through the first eight months of 2018 compared to the same period in 2017 according to Census Bureau data. Single-family permits increased, while multifamily permits fell. Home prices in Colorado grew at the fifth-fastest pace nationally (9.6%) according to the Q2 2018 Federal Housing Finance Agency Purchase Only Index.

Colorado Job Growth



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Urban is the sum of all counties in MSAs.

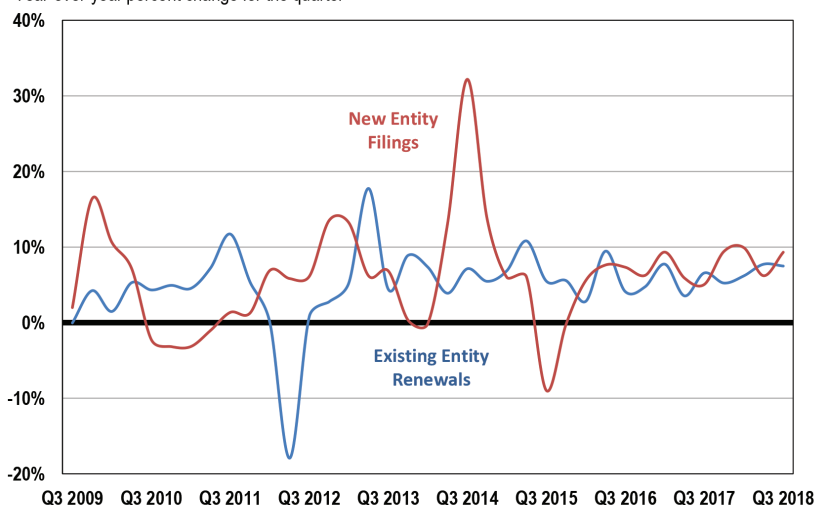
The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics. The Business Research Division (BRD) of the Leeds School of Business conducts 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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Business Filings Overview

Existing Entity Renewals and New Entity Filings

Year-over-year percent change for the quarter



Growth in business filings remain stable.

In the third quarter of 2018, new business filings continued stable, annual growth. A total of 31,014 new business filings were recorded in Colorado, representing a 9.3% increase over the same period in 2017. For the four quarters ending Q3 2018, a total of 125,356 new business filings were recorded in the state. Over the last eight quarters, new and existing filings growth, while oscillating around a mean of 6% and 7.4%, respectively, has remained on an upward trend.

Renewals of existing entities were 136,752 in Q3 2018, a strong increase from the prior year. Trade names and trademarks also increased in Q3, but dissolution filings also notched higher.

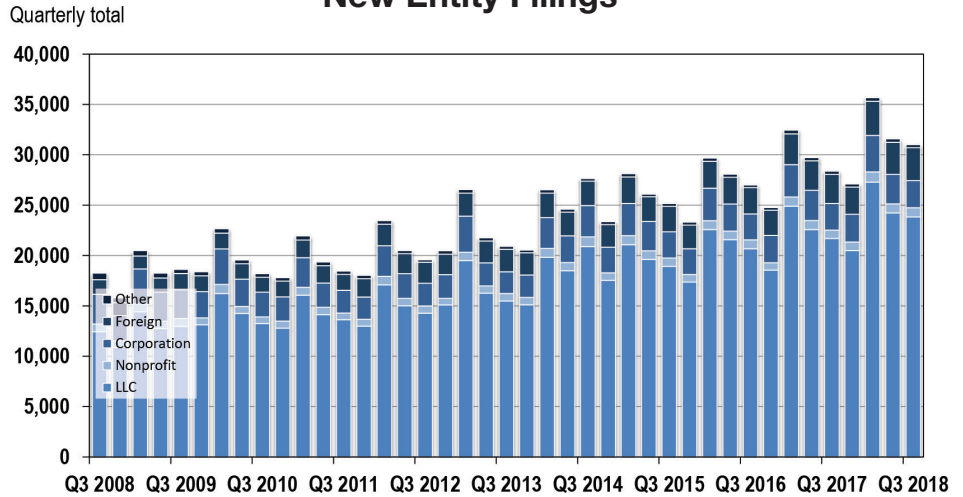
	Q3 2018	Q2 2018	Q3 2017	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	23,835	24,227	21,692	9.9%	▲	9.0%	▲
Domestic Nonprofit Corporation	918	911	839	9.4%	▲	4.2%	▲
Domestic Corporation	2,677	2,917	2,626	1.9%	▲	4.4%	▲
Other Entity Types	3,584	3,518	3,215	11.5%	▲	7.2%	▲
Total New Entity Filings	31,014	31,573	28,372	9.3%	▲	8.2%	▲
Total New Entity Filings - 12 mo. trailing	125,356	122,714	115,313	8.7%	▲	6.9%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	83,813	79,946	75,720	10.7%	▲	8.9%	▲
Domestic Nonprofit Corporation	11,119	10,749	10,767	3.3%	▲	2.1%	▲
Domestic Corporation	25,277	25,692	25,299	-0.1%	▼	0.0%	▼
Other Entity Types	16,543	16,487	15,442	7.1%	▲	7.6%	▲
Total Existing Entity Renewals	136,752	132,874	127,228	7.5%	▲	6.1%	▲
Total Existing Entity Renewals - 12 mo. trailing	543,634	534,110	509,698	6.7%	▲	6.3%	▲
Other Business Filings							
Dissolution Filings	7,397	7,454	6,698	10.4%	▲	11.1%	▲
Dissolution Filings - 12 mo. trailing	31,500	30,801	28,627	10.0%	▲	8.9%	▲
Trademarks	912	954	875	4.2%	▲	3.0%	▲
Trademarks - 12 mo. trailing	3,706	3,669	3,610	2.7%	▲	2.4%	▲
Trade Names	10,563	11,505	10,438	1.2%	▲	0.4%	▲
Trade Names - 12 mo. trailing	44,372	44,247	43,812	1.3%	▲	-0.1%	▼
Entities in Good Standing							
Corporation	126,240	124,207	123,028	2.6%	▲	0.6%	▲
Foreign	75,544	73,197	69,257	9.1%	▲	7.7%	▲
Limited Liability Company	447,886	430,576	404,127	10.8%	▲	9.0%	▲
Nonprofit Corporation	50,363	49,462	48,339	4.2%	▲	2.6%	▲
Other Entity Types	11,785	11,544	11,393	3.4%	▲	2.2%	▲
Total Entities in Good Standing	711,818	688,986	656,144	8.5%	▲	6.5%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

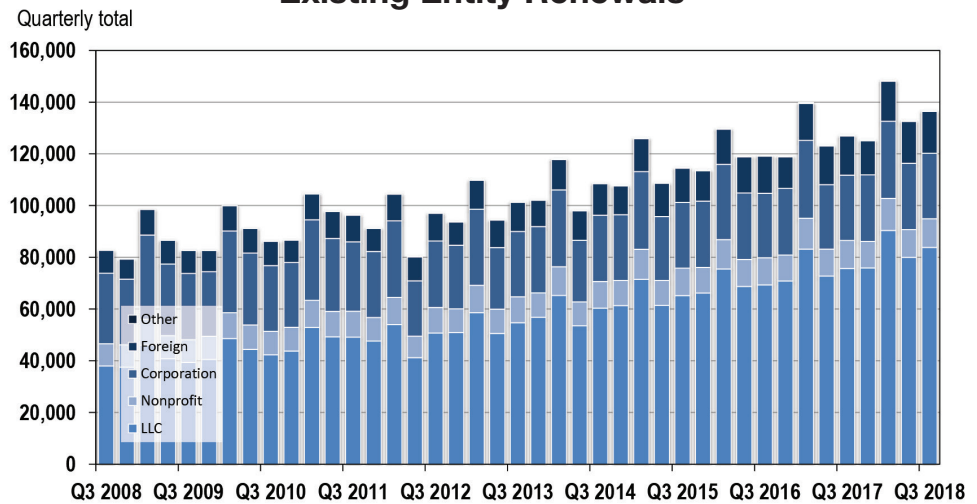
Business filings in Q3 2018 increased over Q3 2017. New entity filings increased by 9.3% year-over-year, but decreased in seasonal fashion in Q3. However, the seasonal decrease is lower than in prior years, signaling strength in new filings. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded an 8.7% increase in Q3 2018 compared to Q3 2017 and a 2.2% rise over Q2 2018. Year-over-year filings were up for all business types.

New Entity Filings



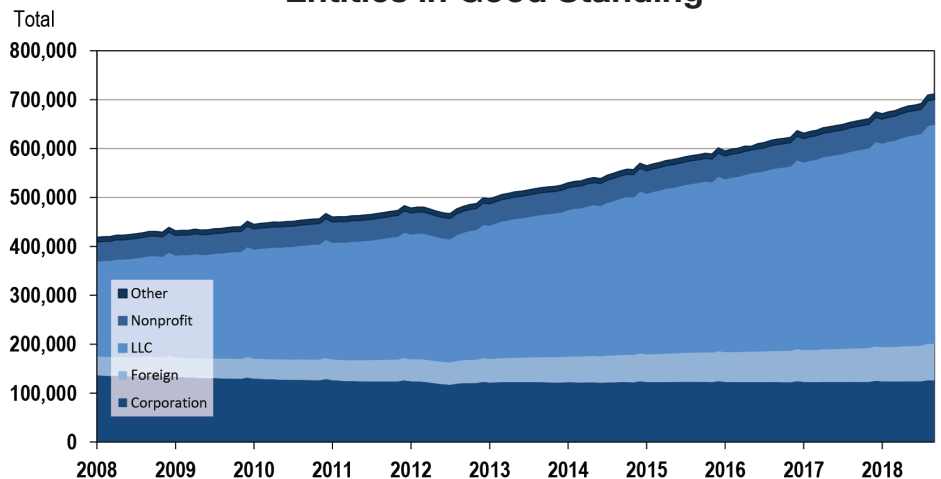
Business renewals also gained in Q3. Renewals totaled 136,752 in Q3 2018, increasing 7.5% compared to Q3 2017. The four-quarter rolling total in Q3 2018 rose 6.7% year-over-year. Renewals also exhibit seasonality.

Existing Entity Renewals



Record number of businesses in good standing in Q3. From Q3 2017 to Q3 2018, the number of entities in good standing in the state increased by 8.5%. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.5%. LLCs drove year-over-year growth (10.8%), followed by foreign entities (9.1%).

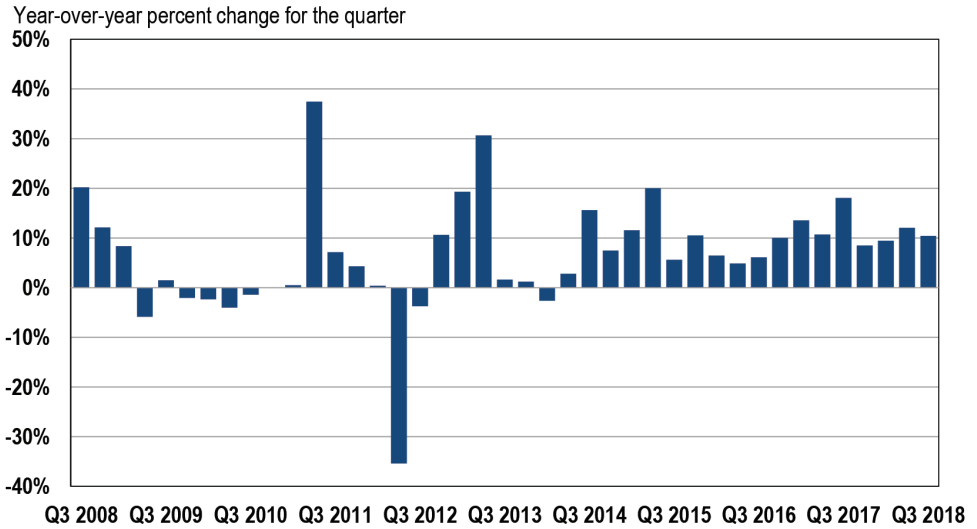
Entities in Good Standing



Dissolutions, Trade Names, & Trademarks

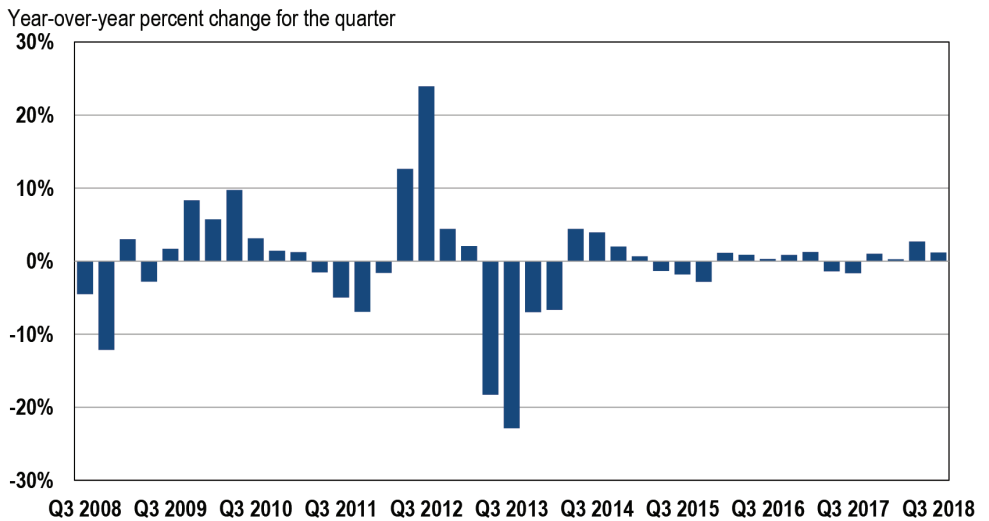
Dissolution filings increased at a slower pace in Q3. Dissolution filings increased 10.4% in Q3 2018 compared to Q3 2017, representing a total of 7,397 businesses dissolving. Dissolutions increased at a slower pace both year-over-year and quarter-over-quarter. The 12-month rolling sum increased by 10% year-over-year, and also 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



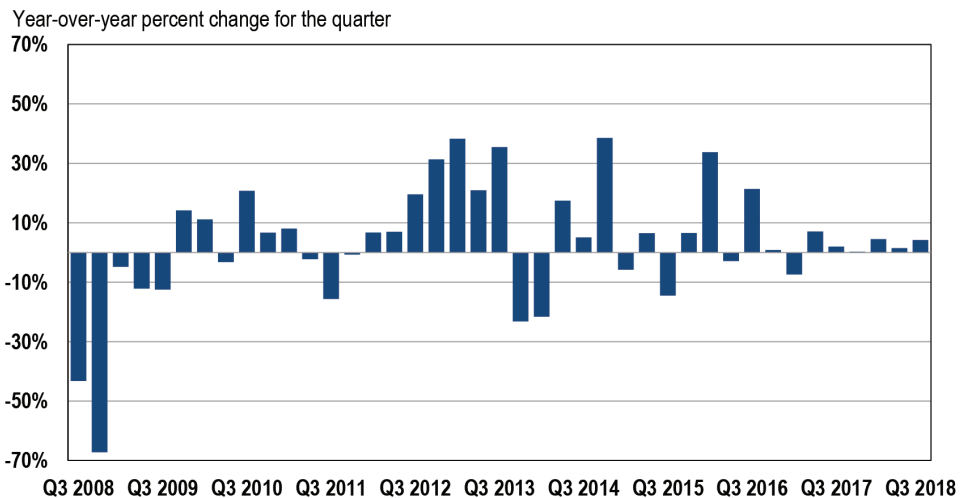
Trade name filings up modestly for the year, down for the quarter. In Q3 2018, a total of 10,563 trade names were filed, an increase of 1.2% year-over-year, but a slip of 8.2% compared to the prior quarter. The 12-month trailing total of trade name filings—44,372—was up 1.3% year-over-year and up 0.3% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings



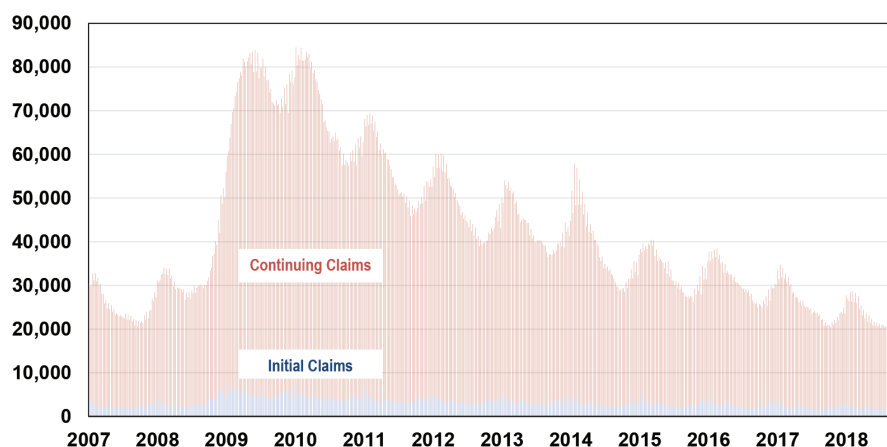
The total number of trademark filings rose in Q3. Trademark filings increased from 875 in Q3 2017 to 912 in Q3 2018, but quarter-over-quarter filings were down 4.4%. The four-quarter rolling total of trademark filings increased in Q3 2018 by 2.7% over the prior year and 1% from Q2. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Economic Indicators

Colorado Initial and Continuing Jobless Claims



Source: US Department of Labor, Employment and Training Administration, Not seasonally adjusted.

Colorado's initial and continuing jobless claims continue to drop in 2018.

This September, Colorado reached its lowest number of initial and jobless claims in over a decade, recording only 1,545 initial and 16,880 continuing claims.

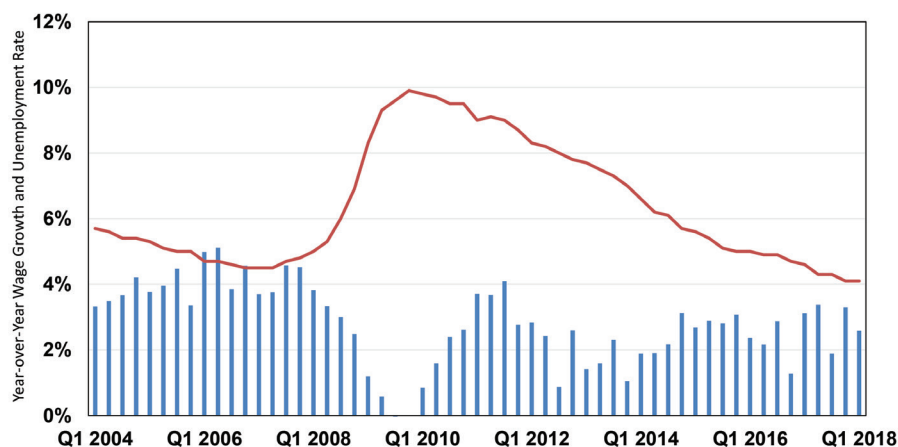
The Colorado economy remains on a solid footing, with strong GDP, employment, personal income, and wage growth. However, in the most recent Leeds Business Confidence Index, business leaders expressed reticence looking ahead two quarters, noting concerns about the availability of labor, housing, housing affordability, 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)	320,966	316,876	1.3%	▲	5.7%	▲	5.4%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	2.9	2.8	1.5%	▲	7.1%	▲	5.8%	▲
Sales Expectations (LBCI)	56.1	61.3	-8.5%	▼	-4.1%	▼	-2.0%	▼
Profit Expectations (LBCI)	56.4	59.8	-5.7%	▼	-2.1%	▼	-1.0%	▼
Business Outlays								
Annual Wages Per Employee (\$)	57,436	56,914	0.9%	▲	3.1%	▲	2.6%	▲
Hiring Expectations (LBCI)	55.3	59.5	-7.1%	▼	-3.1%	▼	-0.9%	▼
Capital Expenditures Expectations (LBCI)	54.4	56.9	-4.3%	▼	-2.5%	▼	-3.2%	▼
Retail Gasoline Price (dollars per gallon)	2.90	2.79	4.1%	▲	18.2%	▲	-3.5%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	310,647	308,339	3.0%	▲	4.5%	▲	3.4%	▲
Employment (in thousands)	2,740.5	2,725.4	0.6%	▲	2.7%	▲	2.8%	▲
Unemployment Rate ^b	2.9%	2.8%	0.2%	▲	0.0%	▲	-3.8%	▼
Initial Jobless Claims	1,545	1,745	-11.5%	▼	-4.2%	▼	-10.7%	▼
Continuing Jobless Claims	16,880	19,623	-14.0%	▼	-15.4%	▼	-15.0%	▼
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	460	456	1.0%	▲	9.6%	▲	9.8%	▲
Private Firms	199,194	196,406	1.4%	▲	3.3%	▲	3.2%	▲
Rotary Rig Count	32	31	3.2%	▲	-11.1%	▼	-12.7%	▼
Total Business Bankruptcy Filings	109	94	16.0%	▲	-0.9%	▼	-10.2%	▼
Chapter 7	78	68	14.7%	▲	2.6%	▲	-12.7%	▼
Chapter 11	21	10	110.0%	▲	-4.5%	▼	1.0%	▲
Chapter 13	8	10	-20.0%	▼	-27.3%	▼	0.0%	▷
State Economy Expectations (LBCI)	55.3	63.4	-12.7%	▼	-6.0%	▼	-2.9%	▼

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) (Q2 18); Colorado Department of Revenue, Office of Research and Analysis (NSA) (05/18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 18); Colorado Department of Labor and Employment, QCEW (NSA) (Q1 18); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/01/18); Bureau of Economic Analysis, (SAAR) (Q1 18); Bureau of Labor Statistics, CES (SA) (08/18); Bureau of Labor Statistics, LAUS (SA) (08/18); U.S. Department of Labor, Employment and Training Administration (NSA) (09/15/18); 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) (Q2 18); Bureau of Labor Statistics, QCEW (Q1 2018); Baker-Hughes (06/29/18); Administrative Office of the U.S. Courts (Q2 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 18).

^aCompound Annual Growth Rate. ^bPercentage point change.

Wage Growth and Unemployment Rate



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

National Economic Indicators

U.S. wages steadily increase. National average wages sat at \$55,928 in Q1 2018, an increase of 2.6% over the previous year, and up \$539 since Q4 2017. Increased wages are expected in a tight labor market. The five-year CAGR also increased 3.2%, once again demonstrating the steady climb of wages.

The economic indicators GDP, employment, and personal income are all positive and reflect national economic growth. Jobless claims continue to fall, and building permits and rig counts are on the rise.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	17,500	17,319	1.0%	▲	4.7%	▲	4.4%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	5,931.1	5,836.5	1.6%	▲	5.3%	▲	3.8%	▲
S&P 500	2,924.6	2,726.7	7.3%	▲	16.1%	▲	11.7%	▲
Annual Wages Per Employee	55,928	55,390	1.0%	▲	2.6%	▲	3.2%	▲
Business Outlays								
Consumer Price Index	251.8	250.5	0.5%	▲	2.7%	▲	1.5%	▲
Core Inflation (All Items Less Food & Energy)	258.1	256.9	0.5%	▲	2.2%	▲	2.0%	▲
Shelter	309.1	306.8	0.7%	▲	3.4%	▲	3.2%	▲
Retail Gasoline Price (dollars per gallon)	2.87	2.92	-2.0%	▼	6.9%	▲	-3.6%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	18,512	18,324	4.2%	▲	2.6%	▲	2.4%	▲
Employment (in thousands)	149,500	148,931	0.4%	▲	1.7%	▲	1.8%	▲
Unemployment Rate ^b	3.7%	4.0%	-0.3%	▼	-0.5%	▼	-3.5%	▼
Initial Jobless Claims	204,000	221,000	-7.7%	▼	-23.6%	▼	-7.4%	▼
Continuing Jobless Claims	1,645,000	1,726,000	-4.7%	▼	-16.3%	▼	-10.2%	▼
Building Permits, Number of Units, 12 mo. trailing	1,314,062	1,313,227	0.1%	▲	5.0%	▲	7.1%	▲
Valuation (millions of dollars), 12 mo. trailing	267,684	265,488	0.8%	▲	7.1%	▲	10.1%	▲
FHFA Home Price Index	259.9	257.1	1.1%	▲	6.5%	▲	5.9%	▲
Rotary Rig Count	1,054	1,047	0.7%	▲	12.1%	▲	-9.6%	▼
Total Business Bankruptcy Filings	5,479	5,669	-3.4%	▼	-13.9%	▼	-9.2%	▼
Chapter 7	3,514	3,355	4.7%	▲	-6.5%	▼	-10.1%	▼
Chapter 11	1,318	1,718	-23.3%	▼	-30.0%	▼	-8.3%	▼
Chapter 13	501	460	8.9%	▲	-5.1%	▼	-7.2%	▼
National Economy Expectations (LBCI)	50.1	57.0	-12.1%	▼	-2.5%	▼	-2.0%	▼

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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.



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