



Secretary of State Business Filings Q1 2019 Data Analysis Summary

- Colorado's economy continues to be among the leading states nationally.
- The unemployment rate, based on a household survey, increased year-over-year largely due to strong growth in the labor force.
- Covered wage and salary employment continued to add jobs in Q1—a trend that is projected for at least the next two quarters.
- Colorado new entity filings grew in Q1 compared to a year ago.
- Existing entity filings exhibited stronger growth, and businesses in good standing rose compared to the prior quarter.

COLORADO INDICATORS

Employment



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 2019 vs. Q1 2019

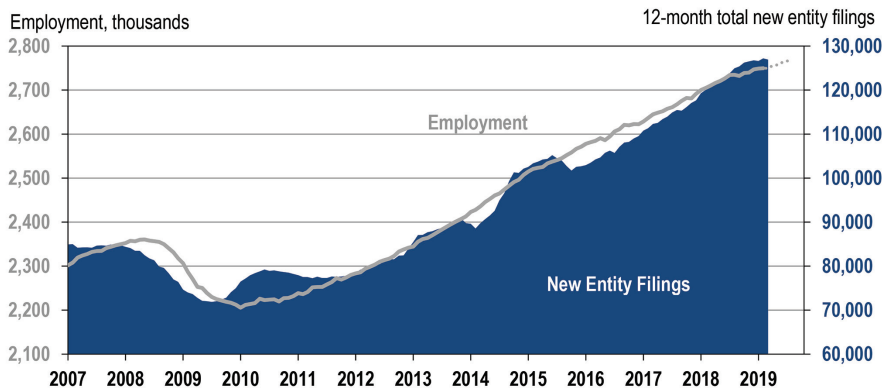


Q2 2019 vs. Q2 2018



Q3 2019 vs. Q2 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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Leeds School of Business
UNIVERSITY OF COLORADO BOULDER
BUSINESS RESEARCH DIVISION

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Slower GDP growth. U.S. GDP grew at a seasonally adjusted annual rate of 2.2% in Q4 2018 according to the third estimate from the Bureau of Economic Analysis (BEA). This is a slowdown from the 4.2% growth recorded in Q2 and 3.4% annualized rate recorded in Q3, as well as a slower pace compared to the same quarter a year ago. Personal consumption expenditures recorded slower growth of 2.5%, and government consumption expenditures fell 0.4%, while nonresidential fixed investment expanded 5.4%.

Colorado's economy grew 3% year-over-year in Q3 2018, and at an annualized rate of 3.8% for the quarter according to the most recent state-level data available from the BEA. The largest year-over-year gains were recorded in the Professional, Scientific, and Technical Services Sector and in the Information Sector.

Job growth on the rise. According to preliminary data from the Bureau of Labor Statistics (BLS), a total of 196,000 jobs were added nationally in March 2019—an improvement from the 33,000 jobs added in February, and higher than the 180,000 average job growth recorded over the last three months. This compares to average job growth of 223,000 per month in 2018 and 179,000 per month in 2017. The national unemployment rate declined year-over-year and over the quarter, resting at 3.8% in March. The Colorado unemployment rate, at 3.5%, recorded an increase over last March, but declined slightly from December. The annual increase is due in part to growth in the labor force outpacing growth in employment.

In addition to the low unemployment rate, jobless claims also indicate a healthy labor market. Initial claims nationally and in Colorado decreased over the quarter and year-over-year in March. Continuing claims fell over the quarter and year-over-year. In March 2019, Colorado added 45,100 jobs year-over-year, growth of 1.7%. The most jobs were added in the Professional and Business Services industry and in Education and Health Services. The fastest pace of growth (percent) was recorded in the Professional and Business Services and the Other Services industries.

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 Q3 increased 6.2% and 3.6%, respectively, in Colorado, compared to 5.2% and 3.6% nationally. Colorado average wages totaled \$58,326 compared to \$56,799 nationally.

Colorado personal income increased to \$17.9 billion in Q4 2018 year-over-year, a 4.6% increase according to the BEA.

Gasoline prices increased more than 10% over the past 3 months, but fell 0.3% over the last 12 months. Demonstrating slower price growth, the Consumer Price Index in the Denver-Aurora-Lakewood region increased 0.4% (compared to 1.6% nationally) year-over-year in January 2019 (not seasonally adjusted). Core inflation (all items less food and energy) increased 1% in Colorado.

New entity filings continue to increase in Q1.

Total new entity filings increased 0.5% year-over-year in Q1 2019, but increased 25.8% quarter-over-quarter in a seasonal pattern that exists within the data. Over the 12 months ending in Q1 2019, a total of 126,914 new business filings were recorded, an increase of 5%. 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.

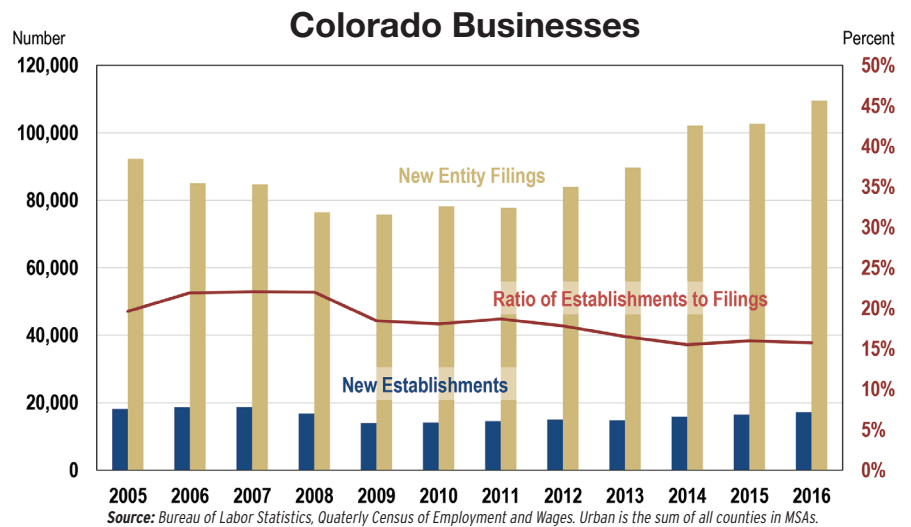
Existing entity filings up over 2018.

Existing entity renewals increased to 159,746 in Q1 2019, a bump of 7.6% year-over-year. Entities in good standing staged an increase over the quarter, to 718,161, in Q1 2019.

Colorado business leaders take a neutral tone into Q2 2019.

Business leaders' confidence increased slightly from the previous quarter, but fell from the previous year. Confidence remained overall neutral ahead of Q2 2019 as measured by the Leeds Business Confidence Index. A measure of 50 indicates neutral expectations; the index was 52.7 ahead of the upcoming quarter. Panelists were slightly pessimistic about the national economy, but remained slightly positive about the state economy, industry sales, hiring, and capital expenditures. Most of the respondents' optimism was in industry profits.

Building permits increased 0.8% over the past 12 months, but decreased 30% in Colorado through the first two months of 2019 compared to the same period in 2018 according to Census Bureau data. Both single-family and multifamily permits also decreased. Home prices in Colorado grew at the 16th-fastest pace nationally (6.7%) according to the Q4 2018 Federal Housing Finance Agency Purchase Only Index.

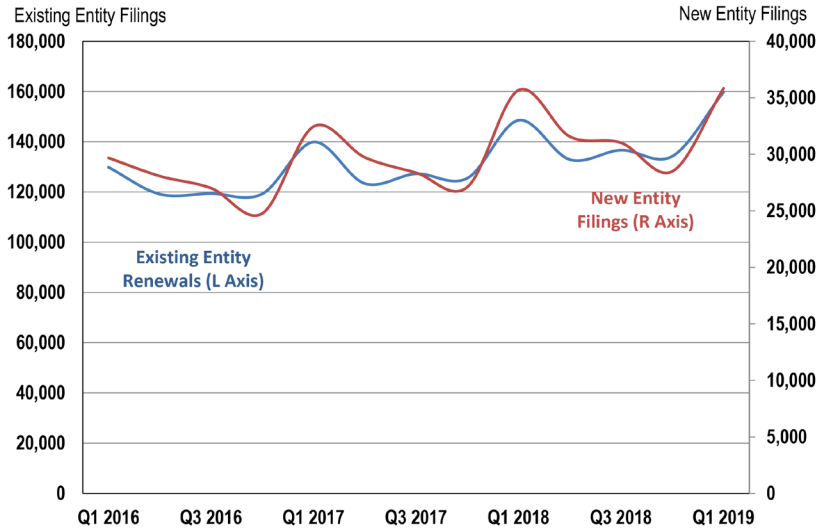


The Quarterly Business & Economic Indicators, produced by the Business Research Division (BRD) on behalf of the Colorado Secretary of State, reports on the correlations between various business filing data and economic metrics. The Business Research Division (BRD) of the Leeds School of Business conducts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



Growth in business filings stalled in Q1. In the first quarter of 2019, new entity filings grew at the slowest rate since Q4 2015. However, existing entity renewals remained strong, and growth accelerated slightly in Q1.

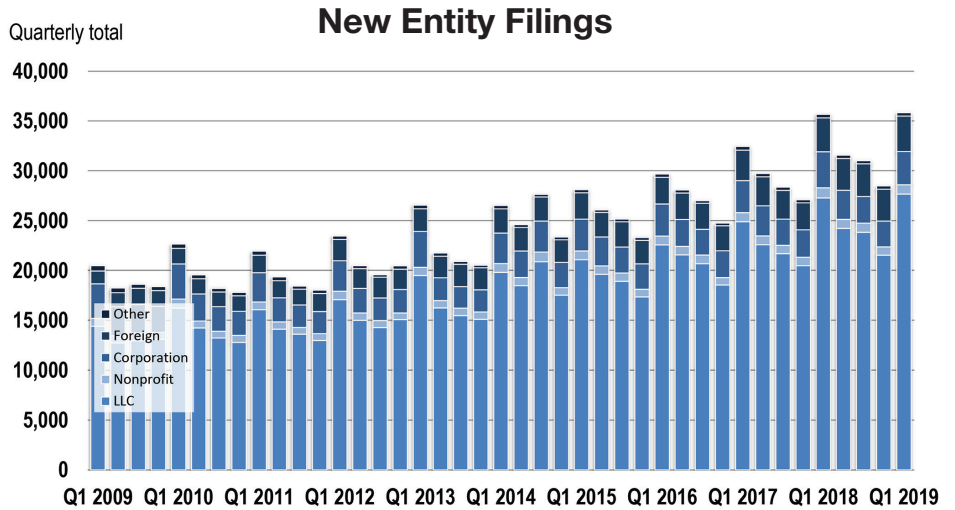
A total of 35,838 new business filings were recorded in Colorado, representing a 0.5% increase over the same period in 2018. For the four quarters ending Q1 2019, a total of 126,914 new business filings were recorded in the state, or growth of 5%. Renewals of existing entities were 159,746 in Q1 2019, a strong increase from the prior year. Trade names and trademarks both fell in the quarter, and dissolution filings notched higher.

	Q1 2019	Q4 2018	Q1 2018	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	27,668	21,536	27,285	1.4%	▲	6.9%	▲
Domestic Nonprofit Corporation	938	839	1,018	-7.9%	▼	1.1%	▲
Domestic Corporation	3,330	2,592	3,619	-8.0%	▼	1.8%	▲
Other Entity Types	3,902	3,522	3,748	4.1%	▲	7.1%	▲
Total New Entity Filings	35,838	28,489	35,670	0.5%	▲	6.2%	▲
Total New Entity Filings - 12 mo. trailing	126,914	126,746	120,868	5.0%	▲	7.2%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	100,076	83,654	90,371	10.7%	▲	8.9%	▲
Domestic Nonprofit Corporation	12,449	10,433	12,399	0.4%	▲	2.3%	▲
Domestic Corporation	30,233	25,569	29,840	1.3%	▲	0.4%	▲
Other Entity Types	16,988	14,564	15,918	6.7%	▲	7.0%	▲
Total Existing Entity Renewals	159,746	134,220	148,528	7.6%	▲	6.2%	▲
Total Existing Entity Renewals - 12 mo. trailing	563,490	552,272	524,583	7.4%	▲	6.2%	▲
Other Business Filings							
Dissolution Filings	9,775	8,859	8,566	14.1%	▲	11.0%	▲
Dissolution Filings - 12 mo. trailing	33,485	32,276	30,000	11.6%	▲	10.3%	▲
Trademarks	952	808	1,004	-5.2%	▼	2.9%	▲
Trademarks - 12 mo. trailing	3,625	3,677	3,655	-0.8%	▼	4.6%	▲
Trade Names	12,508	9,914	12,607	-0.8%	▼	0.5%	▲
Trade Names - 12 mo. trailing	44,491	44,590	43,944	1.2%	▲	0.6%	▲
Entities in Good Standing							
Corporation	123,305	123,657	123,576	-0.2%	▼	0.3%	▲
Foreign	77,243	75,833	71,699	7.7%	▲	7.4%	▲
Limited Liability Company	455,814	444,353	421,791	8.1%	▲	8.5%	▲
Nonprofit Corporation	50,227	49,913	49,025	2.5%	▲	2.3%	▲
Other Entity Types	11,572	11,555	11,446	1.1%	▲	2.1%	▲
Total Entities in Good Standing	718,161	705,311	677,537	6.0%	▲	6.1%	▲

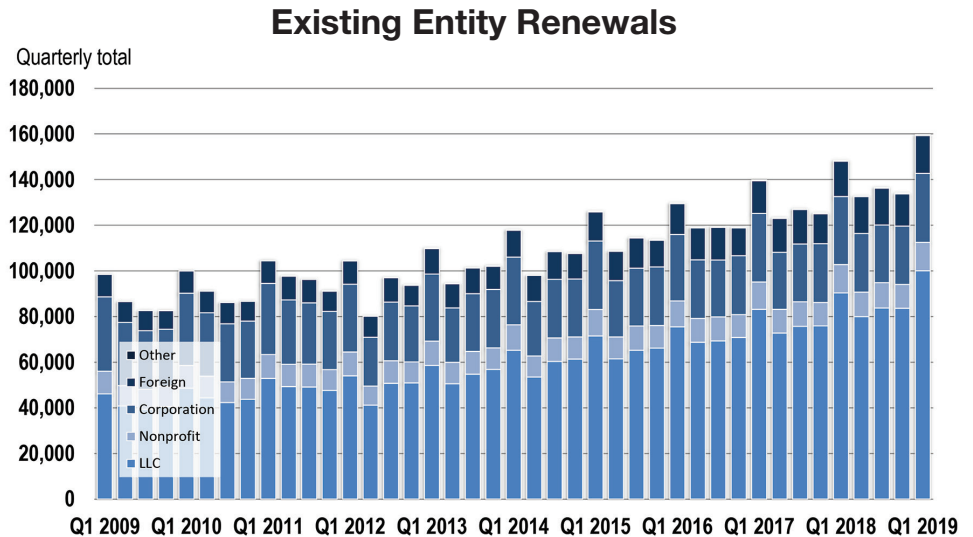
^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

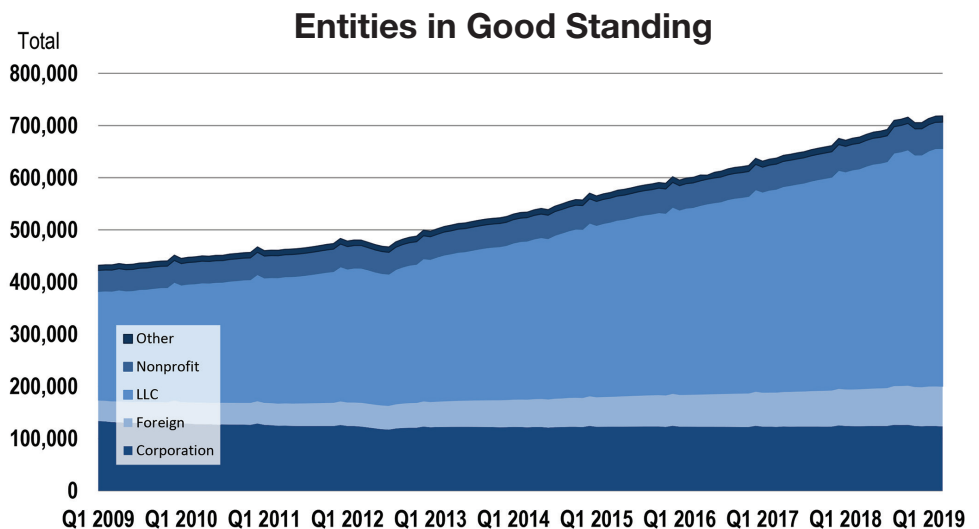
New business filings in Q1 2019 increased over Q4 2018. New entity filings increased by a modest 0.5% year-over-year, but a strong 25.8% over the prior quarter, illustrating the seasonal pattern in filings. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 5% increase in Q1 2019 compared to Q1 2018 and a 0.1% rise over Q4 2018. New filings for domestic corporations and domestic nonprofits decreased.



Business renewals also gained in Q1. Renewals totaled 159,746 in Q1 2019, increasing 7.6% compared to Q1 2018, and were up 19% over the prior quarter. The four-quarter rolling total in Q1 2019 rose 7.4% year-over-year. Like new business filings, renewals also exhibit seasonality.



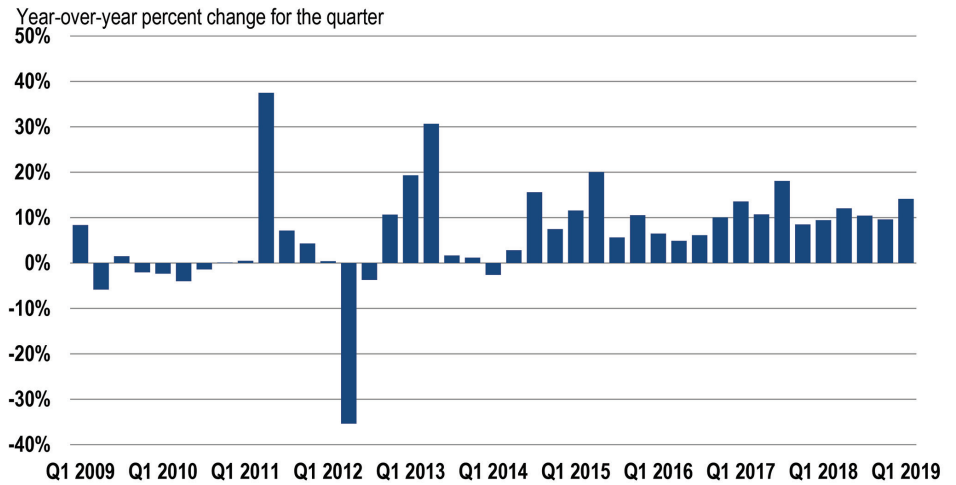
Number of businesses in good standing increased in Q1. From Q4 2018 to Q1 2019, the number of entities in good standing in the state increased by 1.8%, though it grew 6% over Q1 2018. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.1%. Limited liability companies drove year-over-year growth (8.1%), followed by foreign entities (i.e., from outside the state) (7.7%).



Dissolutions, Trade Names, & Trademarks

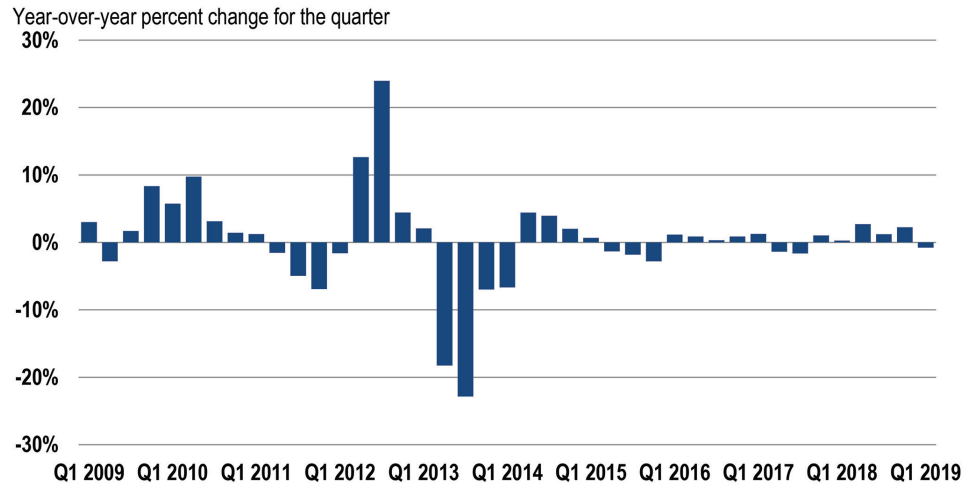
Dissolution filings increased at a faster pace in Q1. Dissolutions increased at a faster pace year-over-year. Dissolution filings increased 14.1% in Q1 2019 compared to Q1 2018, representing a total of 9,775 businesses dissolving. The 12-month rolling sum increased by 11.6% year-over-year, and also increased over the prior quarter (3.7%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



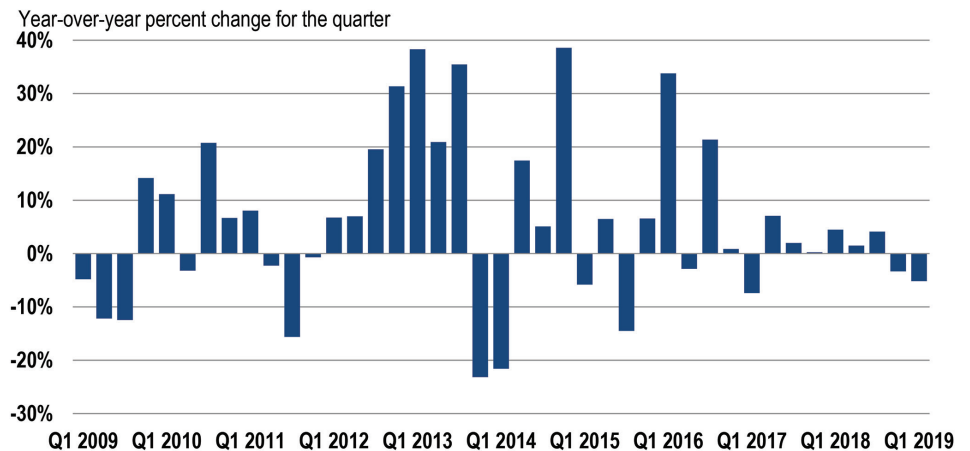
Trade name filings growth mixed for the quarter. In Q1 2019, a total of 12,508 trade names were filed, a decrease of 0.8% year-over-year, but a strong increase of 26.2% over the prior quarter. The 12-month trailing total of trade name filings—44,491—was up 1.2% year-over-year, but down 0.2% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings



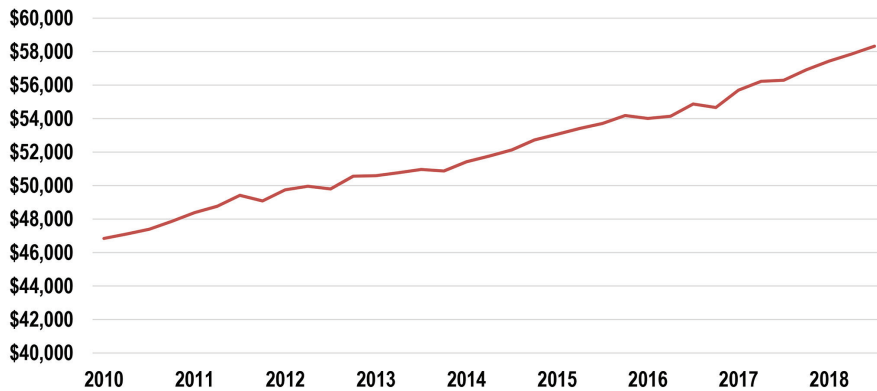
The total number of trademark filings declined in Q1. Trademark filings decreased from 1,004 in Q1 2018 to 952 in Q1 2019, but quarter-over-quarter filings (from Q4 2018 to Q1 2019) were up 17.8%. The four-quarter rolling total of trademark filings decreased in Q1 2019 by 0.8% over the prior year and fell 1.4% from Q4 2018. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Economic Indicators

Colorado Wages per Employee



Source: Bureau of Labor Statistics, QCEW. Based on a 12-month rolling average.

Annual wages per employee climb steadily in the tight labor market.

Colorado wages increased 0.8% from Q3 2018 to Q4 2018 and 3.6% annually. Furthermore, wages exceeded \$58,000 in Q4 2018 for the first time in Colorado history. Colorado's annual wages exceed the national average by \$1,527 per employee.

In the midst of a tight labor market, some employers find measures to attract and retain employees. This may be seen in the form of cultural changes, flexible work schedules, lower education requirements, or other benefits. The state continues to see companies relocating and expanding. High-quality workers continue to be drawn to Colorado for an attractive lifestyle.

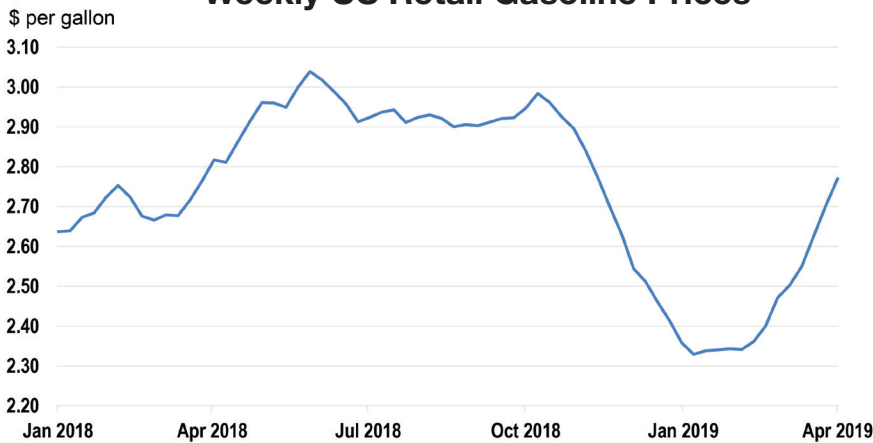
	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	330.8	325.8	1.5%	▲	5.8%	▲	5.4%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	3.0	3.0	1.0%	▲	5.3%	▲	5.4%	▲
Sales Expectations (LBCI)	56.7	53.5	5.9%	▲	-11.8%	▼	-2.0%	▼
Profit Expectations (LBCI)	55.5	51.0	9.0%	▲	-11.1%	▼	-2.0%	▼
Business Outlays								
Annual Wages Per Employee (\$)	58,326	57,859	0.8%	▲	3.6%	▲	2.7%	▲
Hiring Expectations (LBCI)	54.1	51.7	4.7%	▲	-10.5%	▼	-1.9%	▼
Capital Expenditures Expectations (LBCI)	51.8	50.9	1.9%	▲	-14.3%	▼	-4.9%	▼
Retail Gasoline Price (dollars per gallon)	2.59	2.35	10.3%	▲	-0.3%	▼	-6.6%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	335.2	332.1	3.8%	▲	3.0%	▲	3.4%	▲
Employment (in thousands)	2,755.3	2,746.9	0.3%	▲	1.7%	▲	2.5%	▲
Unemployment Rate ^b	3.5%	3.6%	-0.1%	▼	0.6%	▲	-2.1%	▼
Initial Jobless Claims	1,903	2,710	-29.8%	▼	-11.4%	▼	-12.8%	▼
Continuing Jobless Claims	20,735	21,864	-5.2%	▼	-7.3%	▼	-12.7%	▼
Building Permits, Number of Units, 12 mo. trailing	44,233	45,059	-1.8%	▼	0.8%	▲	10.3%	▲
Valuation (millions of dollars), 12 mo. trailing	10,384	10,533	-1.4%	▼	7.3%	▲	12.0%	▲
Foreclosures Filings, Number of Units	1,417	1,485	-4.6%	▼	-14.3%	▼	-13.8%	▼
Number of Sales	295	358	-17.6%	▼	-34.0%	▼	-29.1%	▼
FHFA Purchase-Only Home Price Index	468	465	0.7%	▲	6.7%	▲	9.4%	▲
Private Firms	203,130	201,433	0.8%	▲	3.2%	▲	3.3%	▲
Rotary Rig Count	31	34	-8.8%	▼	0.0%	▷	-12.9%	▼
Total Business Bankruptcy Filings	80	85	-5.9%	▼	-15.8%	▼	-12.5%	▼
Chapter 7	61	67	-9.0%	▼	-10.3%	▼	-13.9%	▼
Chapter 11	16	12	33.3%	▲	0.0%	▷	-1.2%	▼
Chapter 13	3	6	-50.0%	▼	-72.7%	▼	-17.8%	▼
State Economy Expectations (LBCI)	51.9	51.0	1.8%	▲	-16.4%	▼	-4.9%	▼

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) (Q4 18); Colorado Department of Revenue, Office of Research and Analysis (NSA) (M3/19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 19); Colorado Department of Labor and Employment, QCEW (NSA) (Q3 18); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (04/01/19); Bureau of Economic Analysis, (SAAR) (Q3 18); Bureau of Labor Statistics, CES (SA) (03/19); Bureau of Labor Statistics, LAUS (SA) (03/19); U.S. Department of Labor, Employment and Training Administration (NSA) (04/06/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/19); Colorado Division of Housing, Foreclosure Report (Q4 18); FHFA Purchase-Only Home Price Index (SA) (Q4 18); Bureau of Labor Statistics, QCEW (Q3 2018); Baker-Hughes (04/18/19); Administrative Office of the U.S. Courts (Q4 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 19).

^aCompound Annual Growth Rate. ^bPercentage point change.

National Economic Indicators

Weekly US Retail Gasoline Prices



Source: U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices.

Weekly gas prices on the rise. After a recent trough of \$2.33 on January 7, 2019, gas prices are once again on the rise. However, weekly gas prices decreased by 1.7% from this time last year. Rotary rig counts are stable year-over-year nationally, but down quarter-over-quarter. Crude oil production in the United States has increased in the past few weeks.

The S&P 500 recorded strong quarterly growth, and the VIX (an index of volatility) decreased for the quarter. Employment and wages continued an upward climb during the past three months.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	17,886	17,657	1.3%	▲	4.6%	▲	4.5%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	6,056.4	6,028.4	0.5%	▲	4.6%	▲	3.8%	▲
S&P 500	2,908.0	2,632.9	10.4%	▲	8.9%	▲	9.3%	▲
Annual Wages Per Employee	56,799	56,369	0.8%	▲	3.6%	▲	3.3%	▲
Business Outlays								
Consumer Price Index	254.1	252.7	0.6%	▲	1.9%	▲	1.5%	▲
Core Inflation (All Items Less Food & Energy)	261.4	260.1	0.5%	▲	2.0%	▲	2.0%	▲
Shelter	315.1	312.0	1.0%	▲	3.4%	▲	3.3%	▲
Retail Gasoline Price (dollars per gallon)	2.77	2.36	17.5%	▲	-1.7%	▼	-5.5%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	18,765	18,665	2.2%	▲	2.6%	▲	2.4%	▲
Employment (in thousands)	150,816	150,275	0.4%	▲	1.7%	▲	1.8%	▲
Unemployment Rate ^b	3.8%	3.9%	-0.1%	▼	-0.3%	▼	-2.9%	▼
Initial Jobless Claims (4-Week Moving Average)	212,000	223,000	-4.9%	▼	-2.3%	▼	-7.5%	▼
Continuing Jobless Claims (4-Week Moving Average)	1,726,000	1,728,000	-0.1%	▼	-5.1%	▼	-9.2%	▼
Building Permits, Number of Units, 12 mo. trailing	1,306,500	1,309,600	-0.2%	▼	2.0%	▲	5.9%	▲
Valuation (millions of dollars), 12 mo. trailing	265,400	267,602	-0.8%	▼	2.6%	▲	8.4%	▲
FHFA Home Price Index	265.8	262.9	1.1%	▲	5.7%	▲	5.8%	▲
Rotary Rig Count	1,012	1,050	-3.6%	▼	-0.1%	▼	-11.2%	▼
Total Business Bankruptcy Filings	5,855	5,155	13.6%	▲	2.2%	▲	-5.0%	▼
Chapter 7	3,451	3,315	4.1%	▲	-0.2%	▼	-7.9%	▼
Chapter 11	1,782	1,235	44.3%	▲	6.8%	▲	1.7%	▲
Chapter 13	457	450	1.6%	▲	-4.2%	▼	-4.8%	▼
National Economy Expectations (LBCI)	46.2	42.5	8.6%	▲	-20.4%	▼	-4.3%	▼

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 18); U.S. Census Bureau (NSA) (2/19); Yahoo Finance (4/22/19); Bureau of Labor Statistics, QCEW (NSA) (3 18); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (3/19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (4/11/19); Bureau of Economic Analysis (SAAR) (Q4 18); Bureau of Labor Statistics, CES (SA) (3/19); Bureau of Labor Statistics (SA) (3/19); U.S. Department of Labor, Employment and Training Administration (SA) (3/23/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/19); FHFA Purchase-Only Home Price Index (SA) (Q4 18); Baker-Hughes (4/18/19); Administrative Office of the U.S. Courts (Q4 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 19).

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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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