

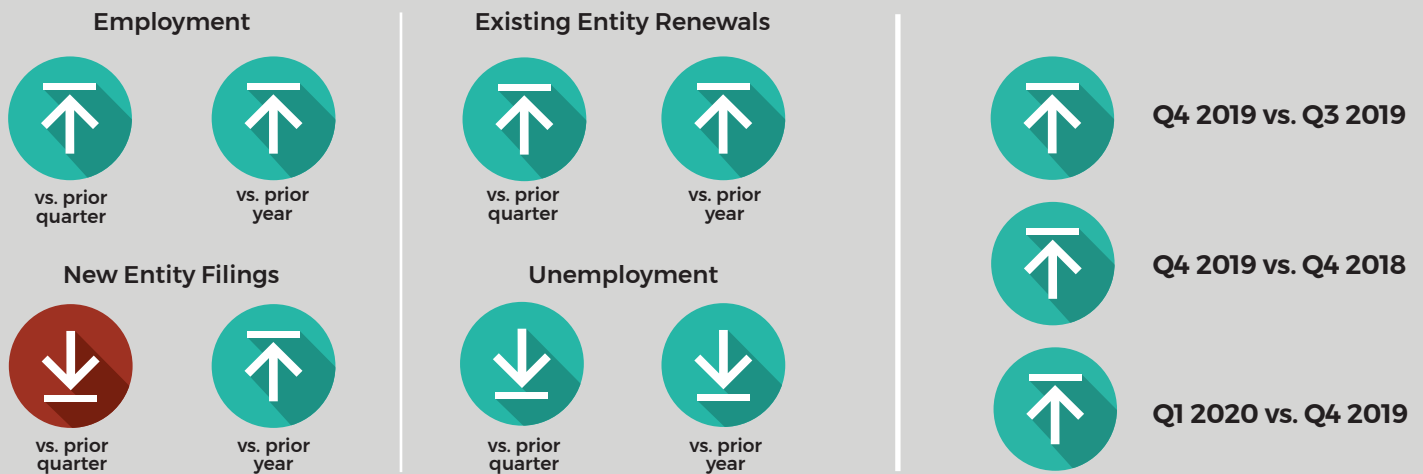


Secretary of State Business Filings Q3 2019 Data Analysis Summary

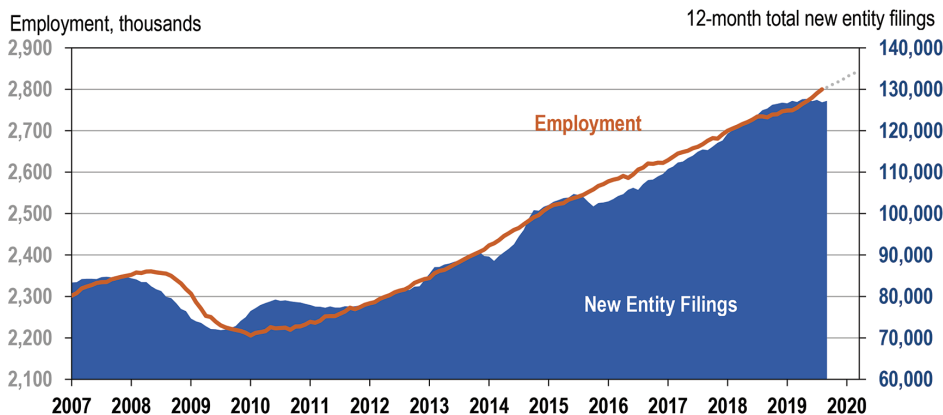
- Colorado’s economy continues to be among the leading states nationally.
- Colorado Secretary of State business filings point to slowing business growth.
- Employment growth will continue in Q4 2019 and Q1 2020.
- Colorado new entity filings grew modestly year-over-year, and existing entity renewals grew solidly.
- Colorado wage growth outpaced national wage growth.

COLORADO INDICATORS

EMPLOYMENT FORECASTS



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 by building trust, instilling confidence, and offering innovative, value-driven solutions.



Secretary of State Business Filings Q3 2019 Data Analysis Summary

Slowing GDP growth. U.S. GDP grew at a seasonally adjusted annual rate of 1.9% in Q3 2019 according to the advance estimate from the Bureau of Economic Analysis (BEA). This is a significant slowdown from the 3.1% annualized growth recorded in Q1 2019 and modestly slower than the 2% growth in Q2. The mean expectations from Consensus Forecasts is for growth to slow further in 2020, averaging 1.8% for the year.

Three major components of GDP include personal consumption, government spending, and investment. Personal consumption recorded slowing annualized growth (2.9%) in the third quarter and government spending increased 2%, while nonresidential fixed investment fell sharply.

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 gains were recorded in the Natural Resources and Mining Sector and in the Agriculture Sector.

Trade tensions impacting exports. As of August 2019, Colorado's total goods exports for the year decreased 4.9% year-over-year, compared to 3.4% growth in 2018. Trade accounts for only a small percentage of Colorado's GDP. Colorado's top three goods export partners are Canada, Mexico, and China. Exports to Canada grew 0.7% year-to-date through August, while exports to China fell 12%, and exports to Mexico declined 22.7%.

Job growth on the rise. According to preliminary data from the Bureau of Labor Statistics (BLS), a total of 136,000 jobs were added nationally in September 2019. Through September, job growth averaged 161,000 jobs per month compared to 220,000 jobs in 2018. The national unemployment rate fell to 3.5% in September; the labor force grew and the participation rate remained steady.

Initial jobless claims nationally decreased over the quarter and year-over-year in September. Colorado initial claims

increased for the quarter, but decreased year-over-year. Continuing claims in the state fell sharply over the quarter and year-over-year.

In September 2019, Colorado added 56,900 jobs year-over-year, with growth of 2.1%. The most jobs were added in the Professional and Business Services and the Leisure and Hospitality sectors. Around the state, the Colorado Springs, Boulder, and Grand Junction Metropolitan Statistical Areas added jobs at the fastest pace of growth.

Colorado wages outpace the nation.

Based on data from the BLS, year-over-year average weekly earnings in September increased 4.6% in Colorado compared to 2.6% nationally.

New entity filings continue to increase slowly in Q3.

Total new entity filings increased 0.3% year-over-year in Q3 2019, but declined 2.1% quarter-over-quarter in a seasonal pattern that exists within the data. Over the 12 months ending in Q3 2019, a total of 127,192 new business filings were recorded, an increase of 1.5%. 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 into 2020.

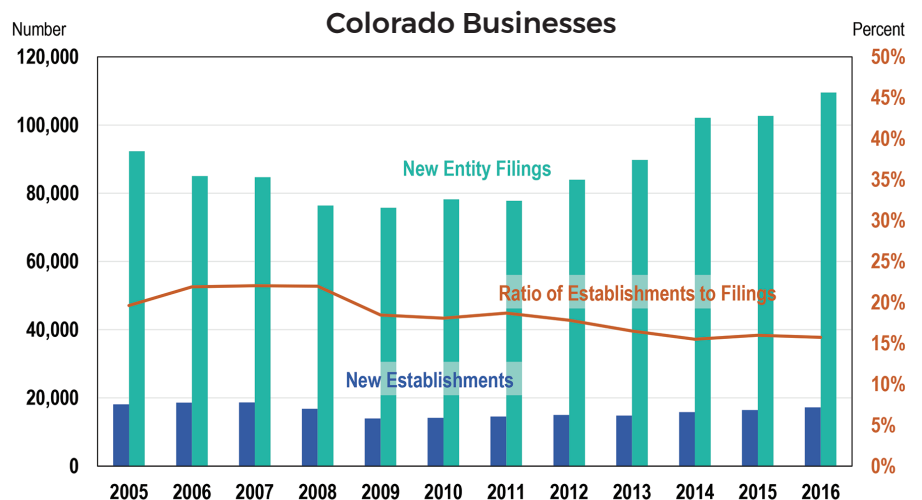
Existing entity filings up over 2018.

Existing entity renewals increased to 142,020 in Q3 2019, an increase of 3.9% year-over-year. Entities in good standing staged an increase over the quarter, to 735,880, in Q3 2019.

Colorado business leaders turn bearish ahead of Q4 2019.

Business leaders' confidence decreased from the previous quarter and from the previous year. Confidence slipped below neutral ahead of Q4 2019 as measured by the Leeds Business Confidence Index. A measure of 50 indicates neutral expectations; the index was 46.9 ahead of the upcoming quarter. Panelists were pessimistic about the national economy and the state economy, as well as about hiring, capital expenditures, and profits. Panelists only remained optimistic about sales growth. Respondents were most optimistic about industry sales expectations.

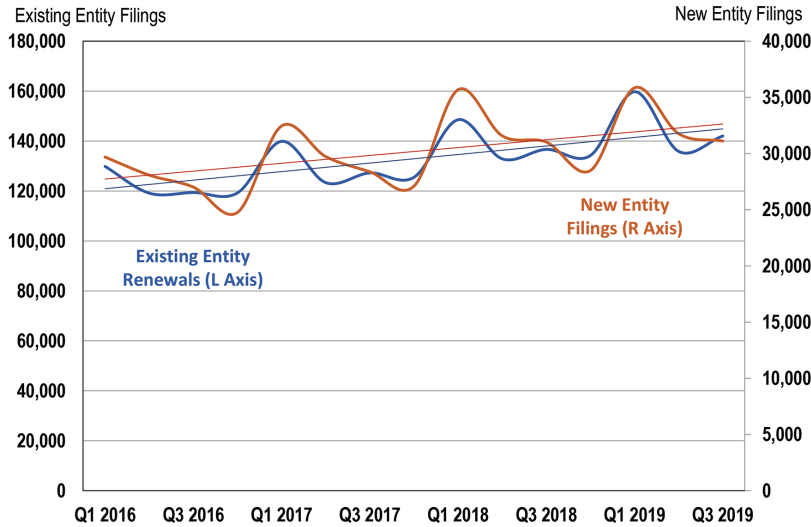
Building permits in Colorado decreased 1.4% over the past 12 months and 11% through the first 8 months of 2019 compared to the same period in 2018 according to Census Bureau data. Both single-family and multifamily permits decreased. Home prices in Colorado grew at the 21st-fastest pace nationally (5.4%) according to the Q2 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.

Business Filings Overview

Existing Entity Renewals and New Entity Filings



New business filings show weakness in Q3. In the third quarter of 2019, new entity filings fell 2.1% over the quarter, and grew a modest 0.3% year-over-year, logging the slowest growth in four years. Existing entity renewals remained strong with a 3.9% year-over-year increase.

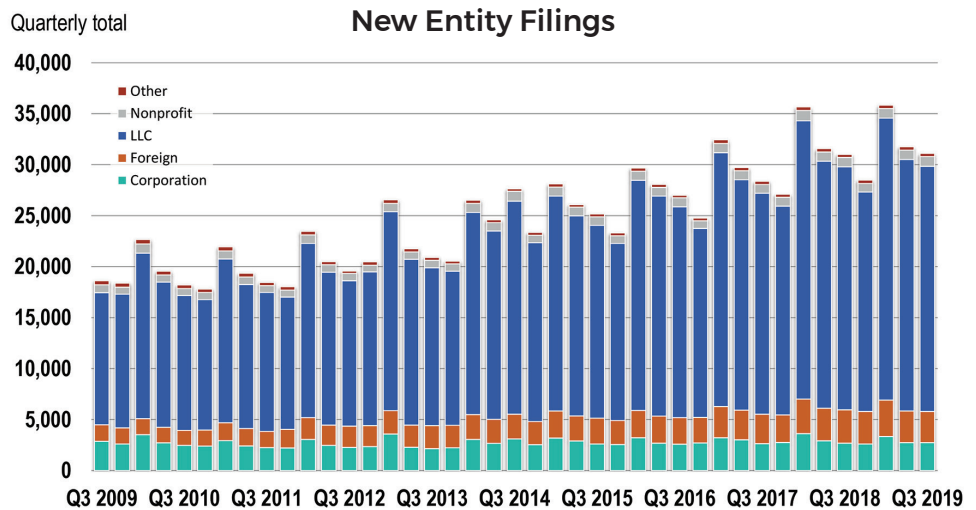
A total of 31,105 new business filings were recorded in Colorado, representing a 0.3% increase over the same period in 2018. For the four quarters ending Q3 2019, a total of 127,192 new business filings were recorded in the state, or growth of 1.5%. Renewals of existing entities were 142,020 in Q3 2019, a moderate increase from the prior year. Trade names, trademarks, and dissolution filings all fell in the quarter.

	Q3 2019	Q2 2019	Q3 2018	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	24,041	24,671	23,835	0.9%	▲	2.9%	▲
Domestic Nonprofit Corporation	959	920	918	4.5%	▲	-0.3%	▲
Domestic Corporation	2,731	2,740	2,676	2.1%	▲	-2.6%	▼
Other Entity Types	3,374	3,430	3,585	-5.9%	▼	4.7%	▲
Total New Entity Filings	31,105	31,761	31,014	0.3%	▲	2.4%	▲
Total New Entity Filings - 12 mo. trailing	127,192	127,101	125,355	1.5%	▲	5.2%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	86,883	82,837	83,752	3.7%	▲	7.6%	▲
Domestic Nonprofit Corporation	11,505	10,809	11,108	3.6%	▲	2.2%	▲
Domestic Corporation	25,364	25,174	25,253	0.4%	▲	-0.2%	▼
Other Entity Types	18,268	17,027	16,536	10.5%	▲	8.0%	▲
Total Existing Entity Renewals	142,020	135,847	136,649	3.9%	▲	5.5%	▲
Total Existing Entity Renewals - 12 mo. trailing	571,833	566,462	543,531	5.2%	▲	6.3%	▲
Other Business Filings							
Dissolution Filings	7,672	8,229	7,397	3.7%	▲	8.7%	▲
Dissolution Filings - 12 mo. trailing	34,535	34,260	31,500	9.6%	▲	10.1%	▲
Trademarks	829	895	911	-9.0%	▼	0.0%	▲
Trademarks - 12 mo. trailing	3,484	3,566	3,705	-6.0%	▼	2.7%	▲
Trade Names	9,982	11,287	10,564	-5.5%	▼	-1.5%	▼
Trade Names - 12 mo. trailing	43,691	44,273	44,373	-1.5%	▼	-0.1%	▼
Entities in Good Standing							
Corporation	123,146	123,259	126,240	-2.5%	▼	0.1%	▲
Foreign	79,626	78,461	75,544	5.4%	▲	7.1%	▲
Limited Liability Company	470,719	463,621	447,886	5.1%	▲	8.1%	▲
Nonprofit Corporation	50,674	50,396	50,363	0.6%	▲	2.1%	▲
Other Entity Types	11,715	11,621	11,785	-0.6%	▼	2.2%	▲
Total Entities in Good Standing	735,880	727,358	711,818	3.4%	▲	5.8%	▲

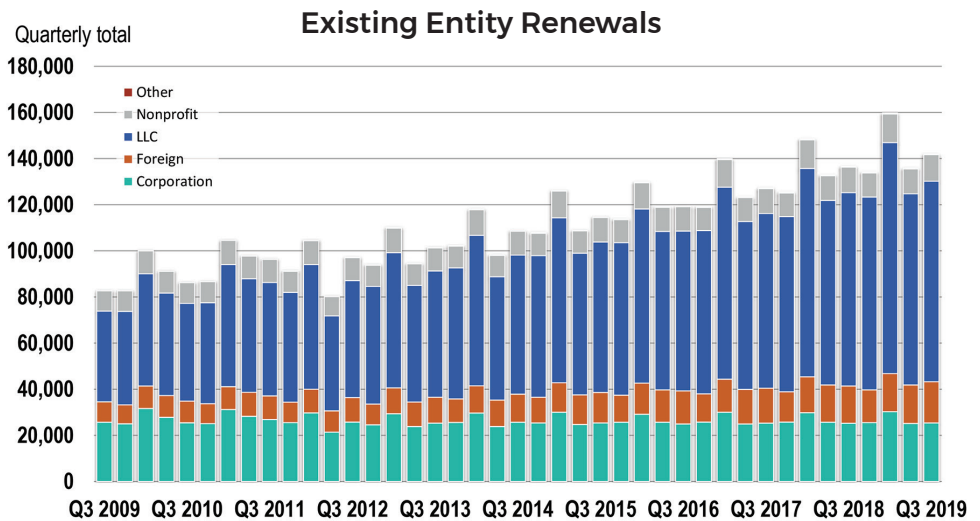
^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

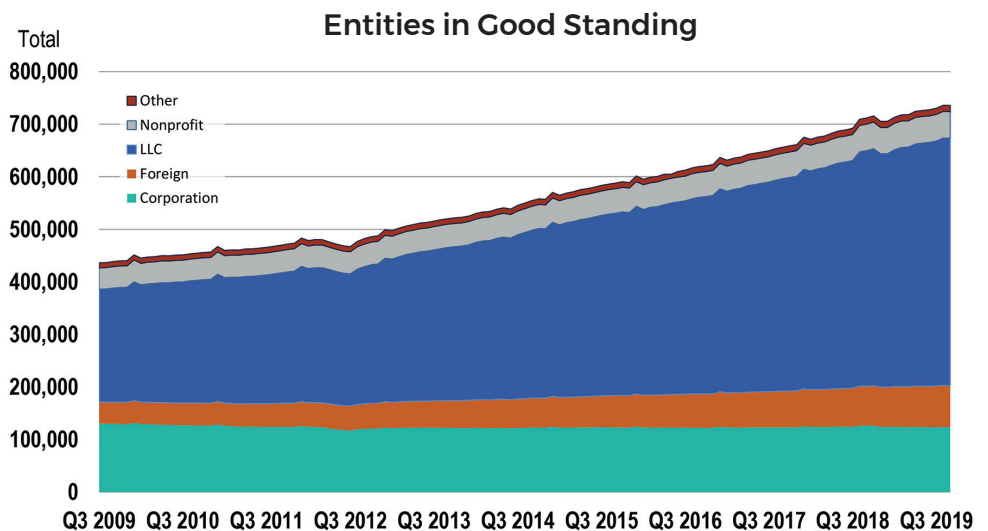
New business filings in Q3 2019 decreased over Q2 2019. New entity filings decreased by a 2.1% over the quarter, and increased a modest 0.3% year-over-year. This pattern is seasonal and consistent year-to-year. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded 0.1% growth over Q2 2019 and 1.5% compared to Q3 2018. Nonprofits recorded the strongest growth, while Other entities declined.



Business renewals strengthen in Q3. Renewals totaled 142,020 in Q3 2019, increasing 4.5% compared to Q2 2019, and were up 3.9% over the prior year. The four-quarter rolling total in Q3 2019 rose 5.2% year-over-year. Like new business filings, renewals also exhibit seasonality. Quarterly and annual growth were recorded in all entity types.



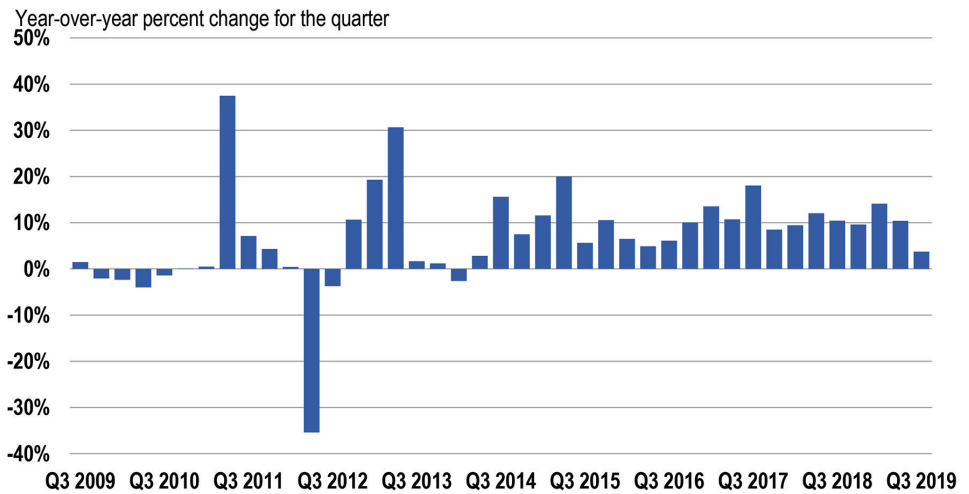
Number of businesses in good standing increased in Q3. From Q2 2019 to Q3 2019, the number of entities in good standing in the state increased by 1.2%, and grew 3.4% over Q3 2018. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 5.8%. Foreign entities (i.e., from outside the state) drove year-over-year growth (5.4%), followed by limited liability companies (5.1%).



Dissolutions, Trade Names, & Trademarks

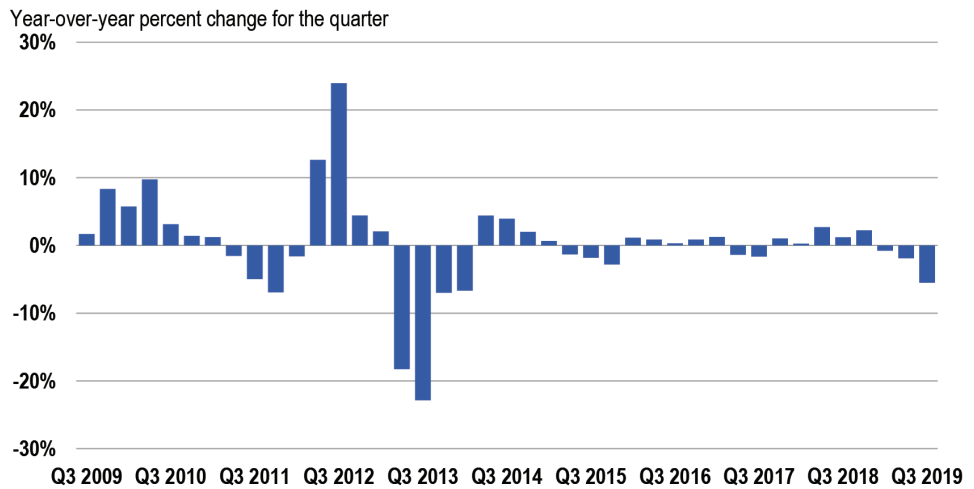
The pace of dissolution filings growth slowed in Q3. Dissolutions slowed from Q2 to Q3, falling 6.8% over the quarter. However, dissolution filings increased year-over-year, up 3.7% in Q3. Dissolution filings totaled 7,672 in the third quarter of 2019 compared to 7,397 in Q3 2018. The 12-month rolling sum increased by 9.6% year-over-year, and also increased over the prior quarter (0.8%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



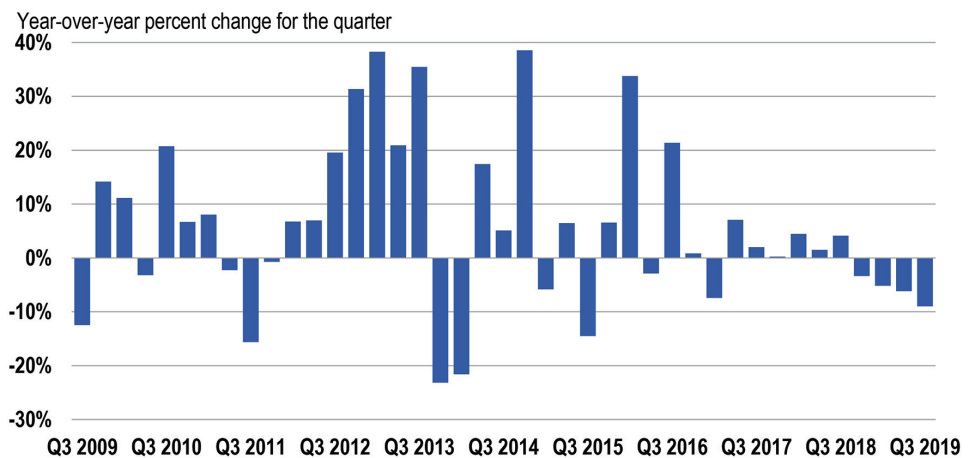
Trade name filings down for the quarter. In Q3 2019, a total of 9,982 trade names were filed, a decrease of 5.5% year-over-year and a decrease of 11.6% over the prior quarter. The 12-month trailing total of trade name filings—43,691—was down 1.5% year-over-year, and decreased 1.3% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings

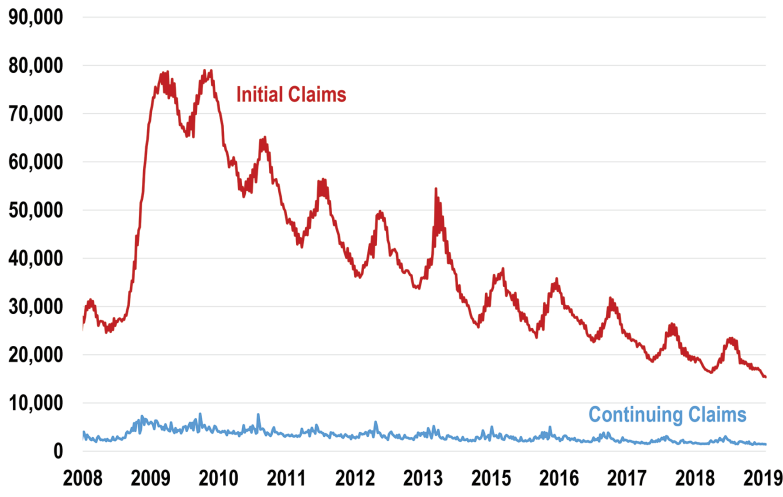


The total number of trademark filings declined in Q3. Trademark filings decreased from 911 in Q3 2018 to 829 in Q3 2019, and decreased 7.4% over the prior quarter. The four-quarter rolling total of trademark filings also decreased in Q3 2019 by 6% over the prior year and fell 2.3% from Q2 2019. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Jobless Claims in Colorado



Source: U.S. Census Bureau.

Colorado Economic Indicators

Initial jobless claims in Colorado declined 11.7% since September 2018. Initial claims in Colorado have gradually declined since the recession, although they generally peak toward the final months of the year into the following year. Compared to the national annual percent decline of 1% in initial claims, Colorado is experiencing less unemployment and more rapid job growth.

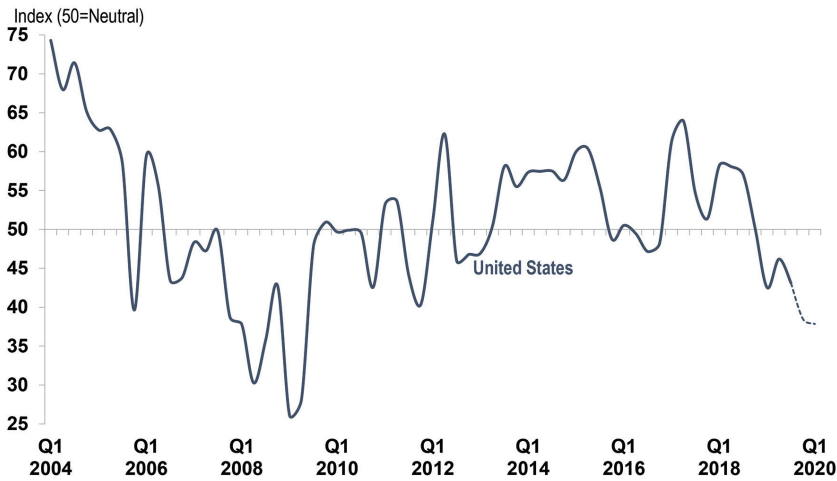
Continuing jobless claims in Colorado decreased by 7.5% annually, and there were around 14,000 fewer continuing claims than initial claims at the end of September 2019. According to the Bureau of Labor Statistics, “even though unemployment rates have declined to lowest levels in half a decade, many who are unemployed have been without work for an extended period.” Continuing claims in Colorado also reflect greater job growth compared to national trends as continuing claims nationally have remained stagnant.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	351.1	346.9	1.2%	▲	6.2%	▲	5.4%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	3.1	3.0	1.1%	▲	4.0%	▲	4.9%	▲
Sales Expectations (LBCI)	51.3	55.6	-7.7%	▼	-8.5%	▼	-3.7%	▼
Profit Expectations (LBCI)	49.7	52.4	-5.1%	▼	-11.9%	▼	-3.3%	▼
Business Outlays								
Annual Wages Per Employee (\$)	59,671	58,941	1.2%	▲	3.9%	▲	3.0%	▲
Hiring Expectations (LBCI)	48.3	51.0	-5.3%	▼	-12.7%	▼	-3.6%	▼
Capital Expenditures Expectations (LBCI)	45.9	51.1	-10.1%	▼	-15.6%	▼	-6.4%	▼
Retail Gasoline Price (dollars per gallon)	2.80	2.76	1.6%	▲	-7.9%	▼	-4.1%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	344.7	341.6	3.6%	▲	4.4%	▲	3.6%	▲
Employment (in thousands)	2,789.1	2,779.8	0.3%	▲	2.1%	▲	2.4%	▲
Unemployment Rate ^b	2.7%	3.0%	-0.3%	▼	-0.8%	▼	-1.8%	▼
Initial Jobless Claims	1,429	1,355	5.5%	▲	-5.6%	▼	-8.0%	▼
Continuing Jobless Claims	15,283	16,960	-9.9%	▼	-8.0%	▼	-13.6%	▼
Building Permits, Number of Units, 12 mo. trailing	42,156	41,210	2.3%	▲	-1.4%	▼	8.2%	▲
Valuation (millions of dollars), 12 mo. trailing	10,197	9,826	3.8%	▲	1.2%	▲	10.2%	▲
Foreclosures Filings, Number of Units	1,357	1,509	-10.1%	▼	-3.1%	▼	-13.6%	▼
Number of Sales	315	370	-14.9%	▼	-14.4%	▼	-27.9%	▼
FHFA Purchase-Only Home Price Index	480	474	1.4%	▲	5.4%	▲	9.3%	▲
Private Firms	204,236	202,966	0.6%	▲	2.5%	▲	3.3%	▲
Rotary Rig Count	24	31	-22.6%	▼	-27.3%	▼	-20.6%	▼
Total Business Bankruptcy Filings	99	96	3.1%	▲	-9.2%	▼	-3.9%	▼
Chapter 7	76	68	11.8%	▲	-2.6%	▼	-5.7%	▼
Chapter 11	13	20	-35.0%	▼	-38.1%	▼	1.6%	▲
Chapter 13	9	7	28.6%	▲	12.5%	▲	8.4%	▲
State Economy Expectations (LBCI)	47.4	49.6	-4.4%	▼	-14.2%	▼	-5.8%	▼

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) (Q2 19); Colorado Department of Revenue, Office of Research and Analysis (NSA) (M8/19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 19); Colorado Department of Labor and Employment, QCEW (NSA) (Q1 19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/07/19); Bureau of Economic Analysis, (SAAR) (Q1 19); Bureau of Labor Statistics, CES (SA) (09/19); Bureau of Labor Statistics, LAUS (SA) (09/19); U.S. Department of Labor, Employment and Training Administration (NSA) (09/28/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/19); Colorado Division of Housing, Foreclosure Report (Q2 19); FHFA Purchase-Only Home Price Index (SA) (Q2 19); Bureau of Labor Statistics, QCEW (Q1 2019); Baker-Hughes (10/11/19); Administrative Office of the U.S. Courts (Q2 19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 19).

^aCompound Annual Growth Rate. ^bPercentage point change.

National Expectations



Source: Leeds Business Confidence Index.

National Economic Indicators

The Leeds Business Confidence Index is used to assess Colorado business leaders' expectations for several components of the economy, including national economic expectations. National expectations fell to 38.5 ahead of Q4 2019, well below neutral (50). A total of 55.9% of panelists anticipate a slowing in the national economy.

This coincides with a decline in the U.S. GDP growth rate from 3.1% in Q1 to 2% in Q2 and 1.9% in Q3 2019. According to the Bureau of Economic Analysis, the deceleration in real GDP in the third quarter was caused by slowing personal consumption and government spending, as well as decreasing nonresidential fixed investment.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a		
Wealth & Income									
Personal Income (billions of dollars)	18,600	18,355	1.3%	▲	4.9%	▲	4.5%	▲	
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	6,128.2	6,078.2	0.8%	▲	3.5%	▲	3.7%	▲	
S&P 500	2,966.1	2,984.4	-0.6%	▼	7.2%	▲	9.2%	▲	
Annual Wages Per Employee	57,695	57,266	0.7%	▲	3.2%	▲	3.5%	▲	
Business Outlays									
Consumer Price Index	256.4	255.3	0.4%	▲	1.7%	▲	1.5%	▲	
Core Inflation (All Items Less Food & Energy)	264.6	262.8	0.7%	▲	2.4%	▲	2.1%	▲	
Shelter	320.5	318.1	0.8%	▲	3.5%	▲	3.3%	▲	
Retail Gasoline Price (dollars per gallon)	2.74	2.83	-3.0%	▼	-8.1%	▼	-3.6%	▼	
Economic Overview									
Real Quarterly GDP (billions of chained 2009 dollars)	19,113	19,022	1.9%	▲	2.0%	▲	2.3%	▲	
Employment (in thousands)	151,722	151,252	0.3%	▲	1.4%	▲	1.7%	▲	
Unemployment Rate ^b	3.5%	3.7%	-0.2%	▼	-0.2%	▼	-2.4%	▼	
Initial Jobless Claims (4-Week Moving Average)	210,000	217,000	-3.2%	▼	-0.9%	▼	-6.1%	▼	
Continuing Jobless Claims (4-Week Moving Average)	1,656,000	1,694,000	-2.2%	▼	-1.5%	▼	-7.6%	▼	
Building Permits, Number of Units, 12 mo. trailing	1,303,887	1,299,867	0.3%	▲	-0.9%	▼	5.1%	▲	
Valuation (millions of dollars), 12 mo. trailing	262,305	263,082	-0.3%	▼	-2.3%	▼	7.1%	▲	
FHFA Home Price Index	271.6	268.7	1.0%	▲	5.0%	▲	5.9%	▲	
Rotary Rig Count	856	958	-10.6%	▼	-19.5%	▼	-15.0%	▼	
Total Business Bankruptcy Filings	5,799	5,614	3.3%	▲	5.8%	▲	-4.5%	▼	
Chapter 7	3,623	3,402	6.5%	▲	3.1%	▲	-5.2%	▼	
Chapter 11	1,503	1,629	-7.7%	▼	14.0%	▲	-4.0%	▼	
Chapter 13	458	436	5.0%	▲	-8.6%	▼	-4.5%	▼	
National Economy Expectations (LBCI)	38.5	43.1	-10.7%	▼	-23.2%	▼	-7.3%	▼	

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) (Q2 19); U.S. Census Bureau (NSA) (7/19); Yahoo Finance (10/14/19); Bureau of Labor Statistics, QCEW (NSA) (1 19); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (9/19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (10/7/19); Bureau of Economic Analysis (SAAR) (Q3 19); Bureau of Labor Statistics, CES (SA) (9/19); Bureau of Labor Statistics (SA) (9/19); U.S. Department of Labor, Employment and Training Administration (SA) (9/14/19); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (8/19); FHFA Purchase-Only Home Price Index (SA) (Q2 19); Baker-Hughes (10/11/19); Administrative Office of the U.S. Courts (Q2 19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q4 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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Secretary of State Business Filings Q3 2019 Data Analysis

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.

A partnership between the
Colorado Secretary of State's Office
and the
University of Colorado Boulder
Leeds School of Business
Business Research Division

