



Secretary of State Business Filings Q4 2018 Data Analysis Summary

- Colorado's economy continues to be among the leading states nationally.
Employment growth will continue in Q1 2019 and Q2 2019.
Colorado new entity filings grew in Q4 compared to a year ago.

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



Q1 2019 vs. Q4 2018

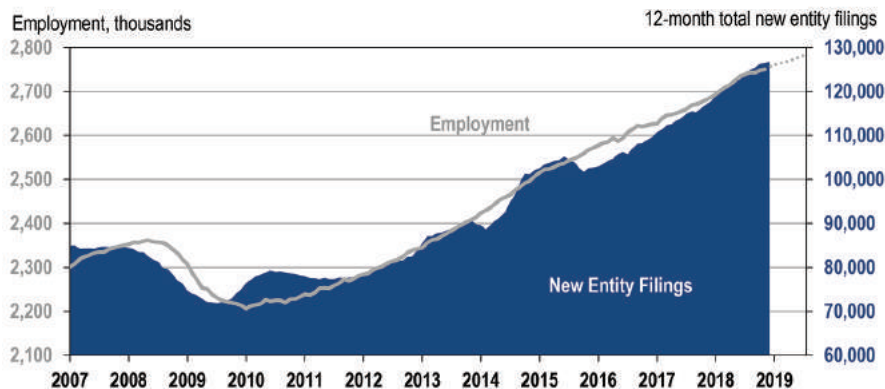


Q1 2019 vs. Q1 2018



Q2 2019 vs. Q1 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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The Secretary of State's office works to grow commerce by building trust, instilling confidence, and offering innovative, value-driven solutions.

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Strong GDP growth. U.S. GDP grew at a seasonally adjusted annual rate of 3.4% in Q3 2018 according to the third estimate from the Bureau of Economic Analysis (BEA). This is a modest slowdown from the 4.2% growth recorded in Q2, but still marks above-trend growth. Personal consumption expenditures recorded strong growth of 3.5%, while nonresidential fixed investment slowed to 2.5%, and government consumption expenditures increased 2.6%.

Colorado's economy grew 3.5% year-over-year in Q2 2018, and at an annualized rate of 4.9% for the quarter according to the BEA. The largest year-over-year gains were recorded in the Information Sector and in Construction.

Job growth on the rise. According to the Bureau of Labor Statistics (BLS), a total of 312,000 jobs were added nationally in December 2018. Marking an acceleration in the labor market, average jobs added increased from 182,000 per month in 2017 to 220,000 per month in 2018. The national unemployment rate increased slightly to 3.9% in December; both the labor force and the participation rate increased.

Initial and continuing jobless claims in Colorado increased over the quarter, but still marked an improvement year-over-year. In November 2018, Colorado added 69,100 jobs year-over-year, growth of 2.6%. The most jobs were added in the Professional and Business Services industry and in the Trade, Transportation, and Utilities industry. The fastest pace of growth was recorded in the Mining industry (including oil and gas), and in the Professional and Business Services industry.

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 Q2 increased 5.3% and 2.9%, respectively, in Colorado, compared to 4.1% and 2.6% nationally. Colorado average wages totaled \$57,858 compared to \$56,374 nationally.

Colorado personal income increased \$17 billion in Q3 2018 year-over-year, a 5.5% year-over-year increase according to the BEA.

Gasoline prices fell 6.4% over the last 12 months and 22% over the prior three months, symbolic of the fall in oil prices. Demonstrating slower price growth, the Consumer Price Index in the Denver-Aurora-Lakewood region increased 2% (compared to 2.2% nationally) year-over-year in November 2018. Core inflation (all items less food and energy) increased 1.8% in Colorado.

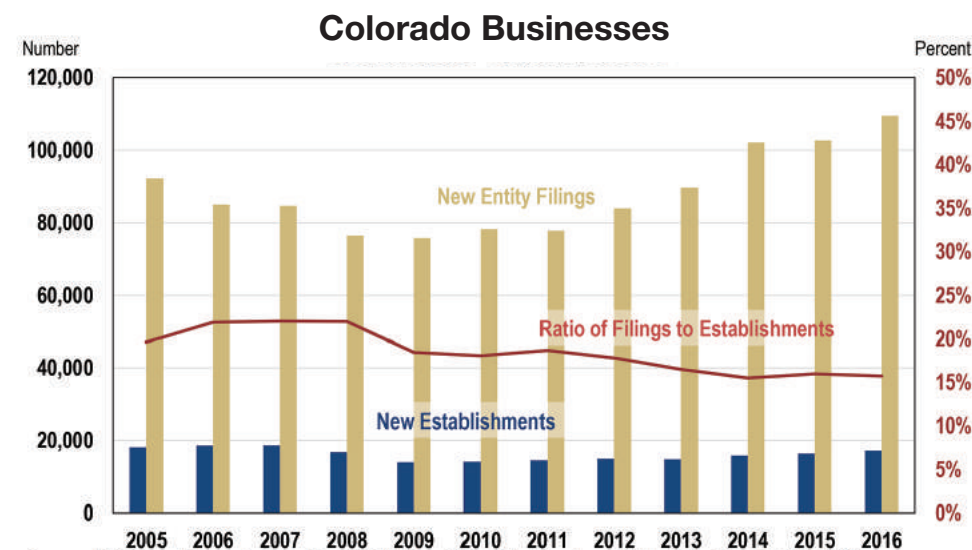
New entity filings continue to increase in Q4. Total new entity filings increased 5.1% year-over-year in Q4 2018, but declined 8.2% in a seasonal pattern that exists within the data. Over the 12 months ending in Q4 2018, a total of 126,730 new business filings were recorded, an increase of 7.7%. Given 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 into 2019.

Existing entity filings up over 2017. Existing entity renewals increased to

134,220 in Q4 2018, a bump of 7% year-over-year. Entities in good standing staged a modest decline over the quarter, to 705,311, in Q4 2018.

Colorado business leaders take a bearish tone into 2019. Business leaders' confidence dipped to a level just above neutral ahead of Q1 2019 and Q2 2019 as measured by the Leeds Business Confidence Index. A measure of 50 indicates neutral expectations; the index was 50.1 and 50.0 ahead of the two respective quarters. Panelists were decidedly negative about the national economy, but remained slightly positive about the state economy, industry sales, profits, hiring, and capital expenditures.

Building permits increased 5.8% in Colorado through the first 10 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 (9.2%) according to the Q3 2018 Federal Housing Finance Agency Purchase Only Index.

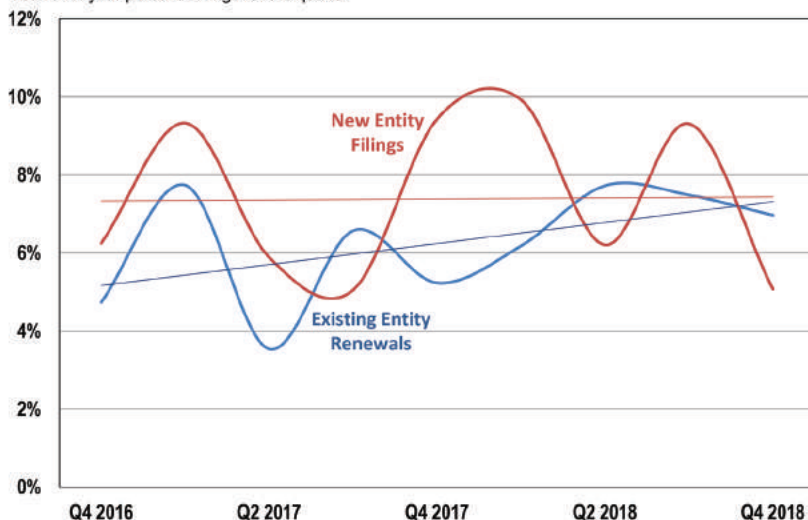


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Urban is the sum of all counties in MSAs.

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 fourth quarter of 2018, both new entity filings and existing entity renewals slowed, but continued at a stable pace. The addition of the fourth quarter data caused the trend line to flatten for new entity filings, but the trend line remained positive for existing entity renewals.

A total of 28,473 new business filings were recorded in Colorado, representing a 5.1% increase over the same period in 2017. For the four quarters ending Q4 2018, a total of 126,730 new business filings were recorded in the state. Renewals of existing entities were 134,220 in Q4 2018, a strong increase from the prior year. Trade names increased in Q4 year-over-year, but trademarks fell and dissolution filings notched higher.

	Q4 2018	Q3 2018	Q4 2017	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	21,522	23,835	20,482	5.1%	▲	7.3%	▲
Domestic Nonprofit Corporation	839	918	857	-2.1%	▼	2.7%	▲
Domestic Corporation	2,592	2,677	2,750	-5.7%	▼	3.1%	▲
Other Entity Types	3,520	3,584	3,009	17.0%	▲	7.4%	▲
Total New Entity Filings	28,473	31,014	27,098	5.1%	▲	6.8%	▲
Total New Entity Filings - 12 mo. trailing	126,730	125,355	117,647	7.7%	▲	7.1%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	83,654	83,755	75,899	10.2%	▲	8.0%	▲
Domestic Nonprofit Corporation	10,433	11,108	10,248	1.8%	▲	2.0%	▲
Domestic Corporation	25,571	25,256	25,782	-0.8%	▼	0.0%	▼
Other Entity Types	14,562	16,531	13,551	7.5%	▲	7.0%	▲
Total Existing Entity Renewals	134,220	136,650	125,480	7.0%	▲	5.6%	▲
Total Existing Entity Renewals - 12 mo. trailing	552,272	543,532	515,938	7.0%	▲	6.2%	▲
Other Business Filings							
Dissolution Filings	8,164	7,397	8,083	1.0%	▲	7.5%	▲
Dissolution Filings - 12 mo. trailing	31,581	31,500	29,261	7.9%	▲	8.8%	▲
Trademarks	808	911	836	-3.3%	▼	7.6%	▲
Trademarks - 12 mo. trailing	3,677	3,705	3,612	1.8%	▲	3.3%	▲
Trade Names	9,910	10,564	9,697	2.2%	▲	0.6%	▲
Trade Names - 12 mo. trailing	44,586	44,373	43,911	1.5%	▲	0.3%	▲
Entities in Good Standing							
Corporation	123,657	126,240	125,177	-1.2%	▼	0.3%	▲
Foreign	75,833	75,544	71,089	6.7%	▲	7.4%	▲
Limited Liability Company	444,353	447,886	417,964	6.3%	▲	8.5%	▲
Nonprofit Corporation	49,913	50,363	49,201	1.4%	▲	2.4%	▲
Other Entity Types	11,555	11,785	11,548	0.1%	▲	1.9%	▲
Total Entities in Good Standing	705,311	711,818	674,979	4.5%	▲	6.1%	▲

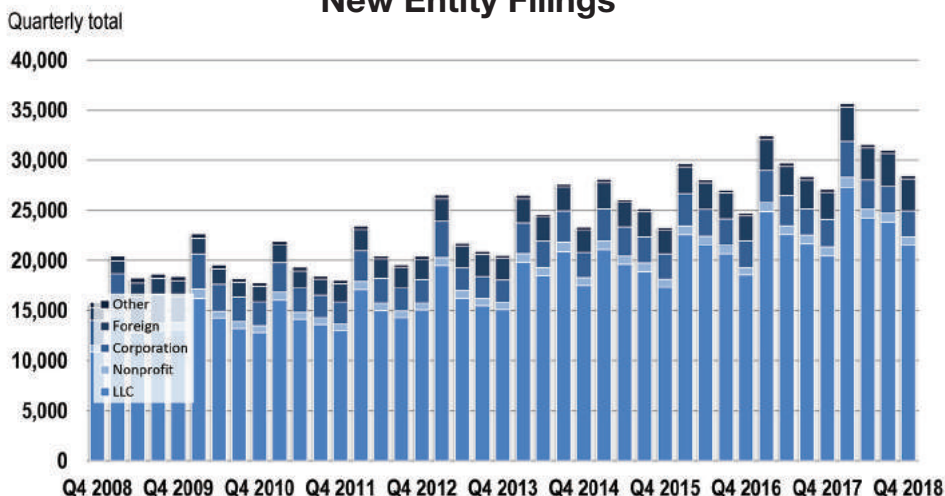
^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

Business filings in Q4 2018 increased over Q4 2017.

New entity filings increased by 5.1% year-over-year, but decreased in seasonal pattern in Q4, falling 8.2% over the quarter. However, the seasonal decrease is greater than in prior years, signaling modest weakening in new filings. Alternatively, the four-quarter rolling sum of filings—which removes seasonality—recorded a 7.7% increase in Q4 2018 compared to Q4 2017 and a 1.1% rise over Q3 2018. New filings for domestic corporations and domestic nonprofits decreased.

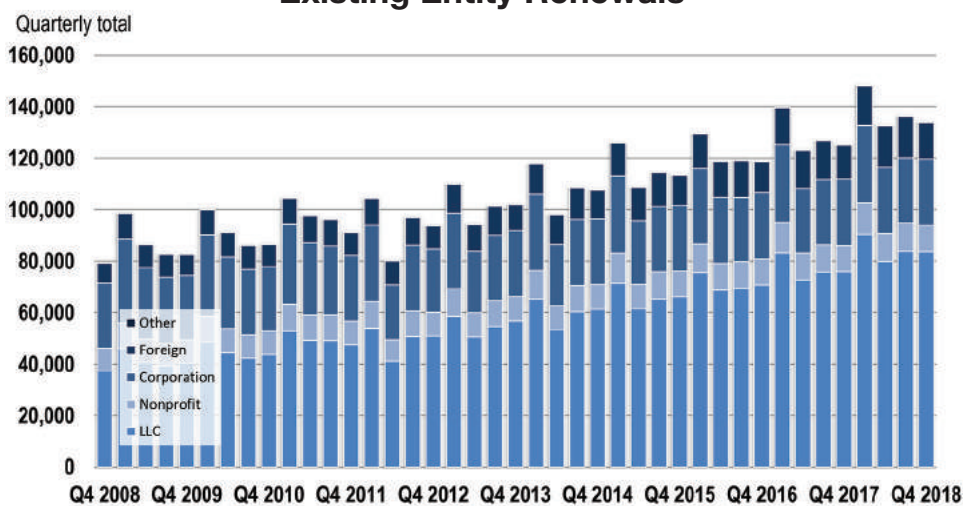
New Entity Filings



Business renewals also gained in Q4.

Renewals totaled 134,220 in Q4 2018, increasing 7% compared to Q4 2017. The four-quarter rolling total in Q4 2018 also rose 7% year-over-year. Like new business filings, renewals also exhibit seasonality.

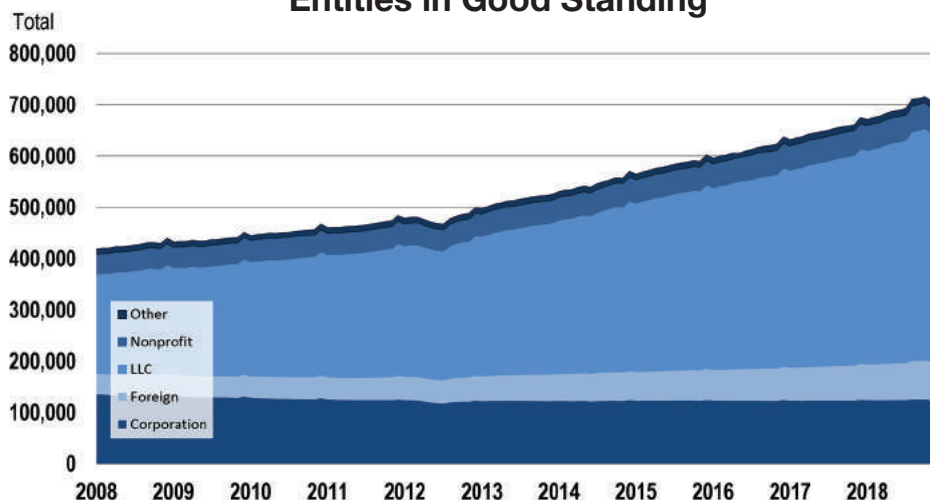
Existing Entity Renewals



Number of businesses in good standing slipped in Q4.

From Q3 2018 to Q4 2018, the number of entities in good standing in the state decreased by 0.9%, though it grew 4.5% over Q4 2017. Over the past five years, the number of entities in good standing has increased at a compound annual growth rate (CAGR) of 6.1%. Foreign entities (i.e., from outside the state) drove year-over-year growth (6.7%), followed by limited liability companies (6.3%).

Entities in Good Standing



Dissolutions, Trade Names, & Trademarks

Dissolution filings increased at a slower pace in Q4. Dissolution filings increased 1% in Q4 2018 compared to Q4 2017, representing a total of 8,164 businesses dissolving. Dissolutions increased at a slower pace both year-over-year and quarter-over-quarter. The 12-month rolling sum increased by 7.9% year-over-year, and also increased over the prior quarter (0.3%). Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

Dissolution Filings



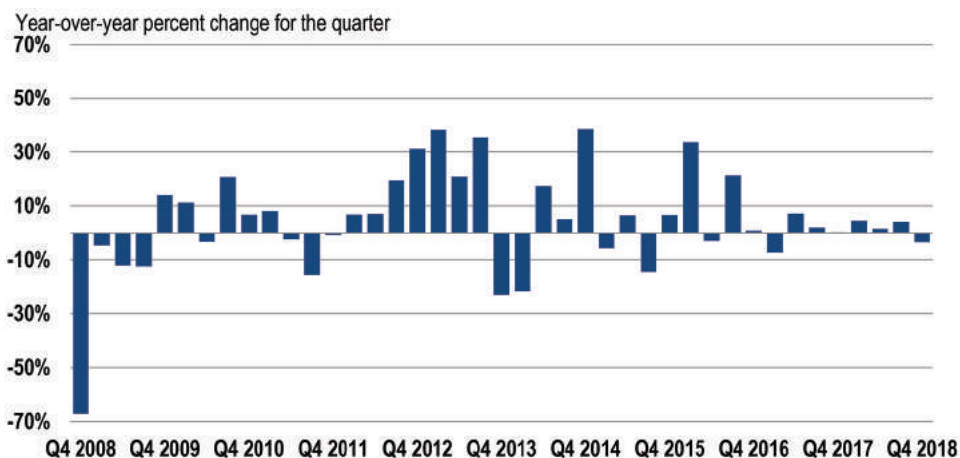
Trade name filings up modestly for the year, down for the quarter. In Q4 2018, a total of 9,910 trade names were filed, an increase of 2.2% year-over-year, but a slip of 6.2% compared to the prior quarter. The 12-month trailing total of trade name filings—44,586—was up 1.5% year-over-year and up 0.5% quarter-over-quarter. Entities must file a statement of trade name when operating under any name other than their true name.

Trade Name Filings



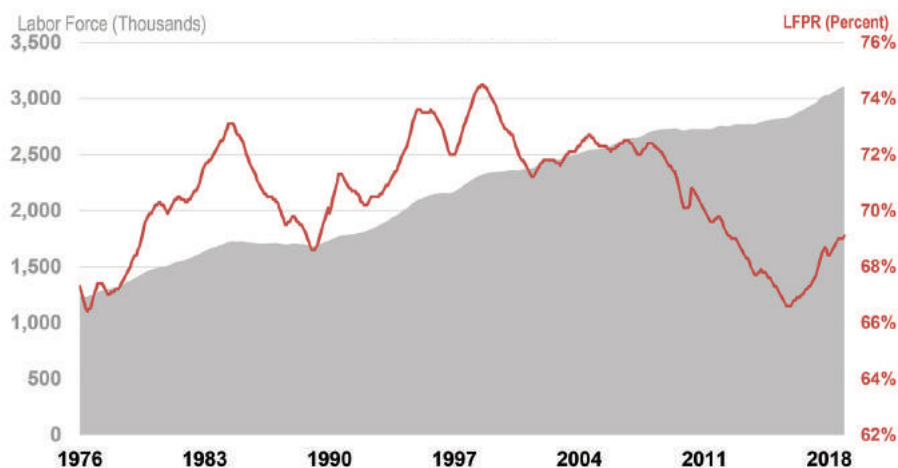
The total number of trademark filings declined in Q4. Trademark filings decreased from 836 in Q4 2017 to 808 in Q4 2018, but quarter-over-quarter filings were down 3.3%. The four-quarter rolling total of trademark filings increased in Q4 2018 by 1.8% over the prior year. Trademarks protect the symbols and words used in commerce.

Trademark Filings



Colorado Economic Indicators

Colorado Labor Force



Sources: Bureau of Labor Statistics, Current Population Survey.

Colorado's labor force participation continues to climb.

Colorado labor force participation notched higher in November to 69.1%—the third-highest rate in the country and six percentage points higher than the national rate. Increasing labor force participation, coupled with positive net migration, has fueled Colorado businesses with a critical source of labor.

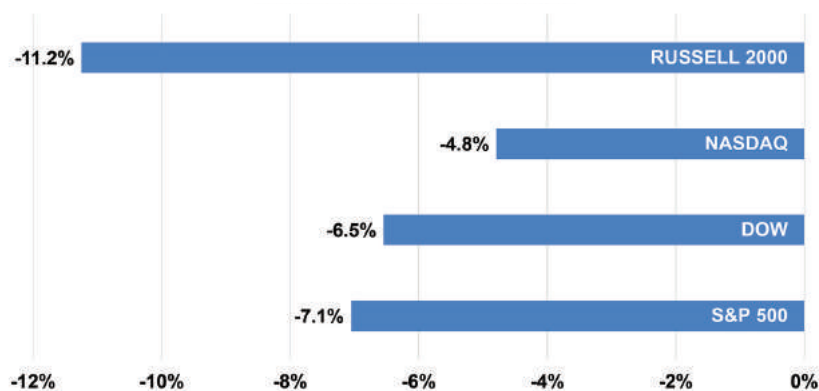
The state's economy continues to record strong growth in employment, personal income, wages, and GDP. However, in the most recent Leeds Business Confidence Index, business leaders expressed caution looking ahead two quarters. The index dropped to the lowest point in seven years.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (millions of dollars)	325,054	320,908	1.3%	▲	5.5%	▲	5.3%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	3.0	2.9	1.0%	▲	6.0%	▲	5.8%	▲
Sales Expectations (LBCI)	53.5	56.1	-4.6%	▼	-13.1%	▼	-2.6%	▼
Profit Expectations (LBCI)	51.0	56.4	-9.6%	▼	-15.9%	▼	-2.5%	▼
Business Outlays								
Annual Wages Per Employee (\$)	57,858	57,437	0.7%	▲	2.9%	▲	2.6%	▲
Hiring Expectations (LBCI)	51.7	55.3	-6.5%	▼	-12.8%	▼	-2.7%	▼
Capital Expenditures Expectations (LBCI)	50.9	54.4	-6.4%	▼	-14.1%	▼	-4.7%	▼
Retail Gasoline Price (dollars per gallon)	2.35	3.01	-22.0%	▼	-6.4%	▼	-5.9%	▼
Economic Overview								
Real Quarterly GDP (millions of chained 2009 dollars)	332,052	328,081	4.9%	▲	3.5%	▲	3.5%	▲
Employment (in thousands)	2,749.8	2,743.0	0.2%	▲	2.6%	▲	2.7%	▲
Unemployment Rate ^b	3.3%	2.9%	0.4%	▲	0.3%	▲	-3.0%	▼
Initial Jobless Claims	2,430	1,605	51.4%	▲	-15.8%	▼	-5.4%	▼
Continuing Jobless Claims	20,163	16,630	21.2%	▲	-8.6%	▼	-9.9%	▼
Building Permits, Number of Units, 12 mo. trailing	45,099	45,177	-0.2%	▼	5.1%	▲	10.1%	▲
Valuation (millions of dollars), 12 mo. trailing	10,460	10,191	2.6%	▲	12.5%	▲	12.4%	▲
Foreclosures Filings, Number of Units	1,399	1,571	-10.9%	▼	-15.6%	▼	-19.1%	▼
Number of Sales	369	441	-16.3%	▼	-32.4%	▼	-32.6%	▼
FHFA Purchase-Only Home Price Index	466	458	1.7%	▲	9.2%	▲	9.7%	▲
Private Firms	201,524	199,576	1.0%	▲	3.2%	▲	3.4%	▲
Rotary Rig Count	34	33	3.0%	▲	0.0%	▶	-11.9%	▼
Total Business Bankruptcy Filings	85	109	-22.0%	▼	-23.4%	▼	-16.9%	▼
Chapter 7	67	78	-14.1%	▼	-13.0%	▼	-16.6%	▼
Chapter 11	12	21	-42.9%	▼	-53.8%	▼	-17.8%	▼
Chapter 13	6	8	-25.0%	▼	-14.3%	▼	-18.8%	▼
State Economy Expectations (LBCI)	51.0	55.3	-7.8%	▼	-12.4%	▼	-4.7%	▼

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) (Q3 18); Colorado Department of Revenue, Office of Research and Analysis (NSA) (11/18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 19); Colorado Department of Labor and Employment, QCEW (NSA) (Q2 18); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (12/31/18); Bureau of Economic Analysis, (SAAR) (Q2 18); Bureau of Labor Statistics, CES (SA) (11/18); Bureau of Labor Statistics, LAUS (SA) (11/18); U.S. Department of Labor, Employment and Training Administration (NSA) (12/22/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (10/18); Colorado Division of Housing, Foreclosure Report (Q2 18); FHFA Purchase-Only Home Price Index (SA) (Q3 18); Bureau of Labor Statistics, QCEW (Q2 2018); Baker-Hughes (12/28/18); Administrative Office of the U.S. Courts (Q3 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 19).

^aCompound Annual Growth Rate. ^bPercentage point change.

Equity Markets, 1-Year Performance



Source: Bloomberg, as of January 4, 2019

National Economic Indicators

Equity markets struggle. Employment, income, and wealth are critical components of consumer strength. Equity markets turned bearish in late 2018, carrying into 2019. The four major U.S. indices were all down year-over-year as of January 4. However, employment and income continued on an upward trajectory—job growth surged in December, with the United States adding 312,000 jobs month-over-month. National average wages sat at \$56,374 in Q3 2018, an increase of 2.6% over the previous year.

National concerns include the rise in jobless claims, decrease in consumer confidence, weakness in equity markets, softness in global economic growth, and trade tensions.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	17,645	17,467	1.0%	▲	4.4%	▲	4.4%	▲
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	6,003.5	5,930.9	1.2%	▲	5.4%	▲	3.8%	▲
S&P 500	2,531.9	2,901.6	-12.7%	▼	-7.1%	▼	6.7%	▲
Annual Wages Per Employee	56,374	55,923	0.8%	▲	2.6%	▲	3.3%	▲
Business Outlays								
Consumer Price Index	252.9	251.8	0.4%	▲	2.2%	▲	1.6%	▲
Core Inflation (All Items Less Food & Energy)	259.5	258.1	0.5%	▲	2.2%	▲	2.0%	▲
Shelter	311.2	309.1	0.7%	▲	3.3%	▲	3.2%	▲
Retail Gasoline Price (dollars per gallon)	2.36	2.95	-20.0%	▼	-10.6%	▼	-7.1%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2009 dollars)	18,665	18,512	3.4%	▲	2.6%	▲	2.5%	▲
Employment (in thousands)	150,263	149,501	0.5%	▲	1.8%	▲	1.8%	▲
Unemployment Rate ^b	3.9%	3.7%	0.2%	▲	-0.2%	▼	-2.8%	▼
Initial Jobless Claims (4-Week Moving Average)	219,250	202,000	8.5%	▲	-9.4%	▼	-9.6%	▼
Continuing Jobless Claims (4-Week Moving Average)	1,677,500	1,663,000	0.9%	▲	-13.4%	▼	-10.4%	▼
Building Permits, Number of Units, 12 mo. trailing	1,308,083	1,315,068	-0.5%	▼	3.9%	▲	6.3%	▲
Valuation (millions of dollars), 12 mo. trailing	267,257	267,886	-0.2%	▼	5.7%	▲	9.4%	▲
FHFA Home Price Index	263.2	259.9	1.3%	▲	6.3%	▲	5.8%	▲
Rotary Rig Count	1,080	1,053	2.6%	▲	16.0%	▲	-9.4%	▼
Total Business Bankruptcy Filings	5,155	5,479	-5.9%	▼	-2.6%	▼	-8.7%	▼
Chapter 7	3,315	3,514	-5.7%	▼	0.4%	▲	-9.0%	▼
Chapter 11	1,235	1,318	-6.3%	▼	-8.4%	▼	-9.0%	▼
Chapter 13	450	501	-10.2%	▼	-10.9%	▼	-8.5%	▼
National Economy Expectations (LBCI)	50.1	54.6	-8.2%	▼	-15.8%	▼	-2.7%	▼

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) (Q3 18), U.S. Census Bureau (NSA) (10/19), Yahoo Finance (1/4/19), Bureau of Labor Statistics, QCEW (NSA) (2 18); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (11/19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (12/31/18); Bureau of Economic Analysis (SAAR) (Q3 18); Bureau of Labor Statistics, CES (SA) (12/19); Bureau of Labor Statistics (SA) (12/19); U.S. Department of Labor, Employment and Training Administration (SA) (12/15/18); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (10/19); FHFA Purchase-Only Home Price Index (SA) (Q3 18); Baker-Hughes (12/21/18); Administrative Office of the U.S. Courts (Q3 18); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q1 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.



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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