



Secretary of State Business Filings Q1 2020 Data Analysis Summary

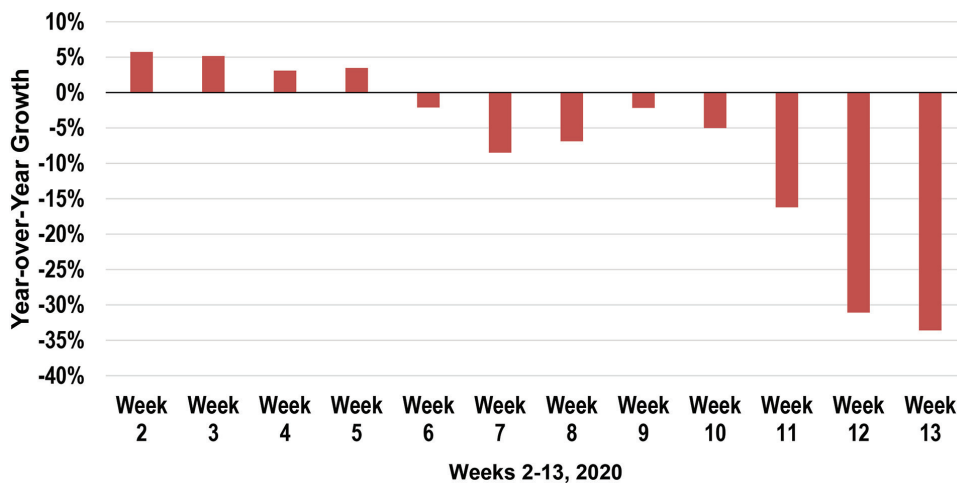
- COVID-19 disrupts new entity filings in the first quarter.
New entity filings started declining in February.
Economy was on a strong footing prior to the COVID-19 pandemic.
Economic data lag, but the deterioration in economic data is looming.
Employment projected to decline in 2020 with record fallout in the labor market.
Total entities in good standing exhibited a decline over the quarter.

COLORADO INDICATORS

EMPLOYMENT FORECASTS

Infographic showing indicators for Employment, Existing Entity Renewals, New Entity Filings, and Unemployment, along with employment forecasts for Q2 2020 vs. Q1 2020, Q2 2020 vs. Q2 2019, and Q3 2020 vs. Q2 2020.

New Entity Filings, Year-Over-Year



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The Secretary of State's office makes government easy and accessible for people in order to further democracy, support economic opportunity for all Coloradans, and demonstrate a standard of integrity and excellence.



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GDP calm before the storm.

With COVID-19 gripping the country, Q1 2020 has been defined by economic uncertainty. U.S. GDP grew at a seasonally adjusted annual rate of 2.1% in Q4 2019 according to the Bureau of Economic Analysis (BEA), and grew 2.3% for the full year. The deteriorating economy in March will likely bring Q1 GDP negative, and estimates for Q2 point to a post-WWII record decline. The fall in personal consumption will dominate the decrease in Q2, followed by investment and trade, while government spending will increase.

Decade of job growth comes to an end.

Following 113 consecutive months of job creation, the nation lost 701,000 jobs in March, the largest decline since March 2009, according to data from the Bureau of Labor Statistics (BLS).

In Colorado, 43,900 jobs were added from March 2019 to March 2020, an increase of 1.6%. Month-over-month, jobs declined by 3,900, with most jobs lost in Other Services, Education and Health Services, and Leisure and Hospitality.

Beginning the week of March 21, jobless claims spiked to record levels nationally and in Colorado, summing to 22 million and 233,000, respectively, over a four-week period. The U.S. unemployment rate ticked up to 4.4% and the Colorado rate increased to 4.5%.

Colorado's relatively strong economic landscape leading up to the crisis.

Colorado's economy grew 3.4% year-over-year in Q4 2019, and at an annualized rate of 2.6% in Q4.

State foreclosures were down 1.9% in Q4 2019 year-over-year, and the FHFA Purchase-Only Home Price Index

increased 6.4% from Q4 2018 to Q4 2019. Home prices in Colorado were also higher than the nation. According to Zillow, the median home value in Colorado was \$405,146, compared to \$247,084 in the United States.

Colorado personal income increased 6.1% in 2019, ranking the state first for income growth according to the BEA. Colorado annual average pay was 11th-highest in Q3 2019, reaching \$61,200, a 4.9% increase from one year prior, according to the BLS.

Retail gasoline prices fell sharply in March and April 2020. Retail gasoline prices decreased 34% to \$1.85 in Colorado the week of April 20 (compared to \$1.91 nationally).

The Consumer Price Index in the Denver-Aurora-Lakewood region increased 2.2% (compared to 1.5% nationally) year-over-year in March 2020 (not seasonally adjusted). Core inflation (all items less food and energy) increased 2.5% in Colorado.

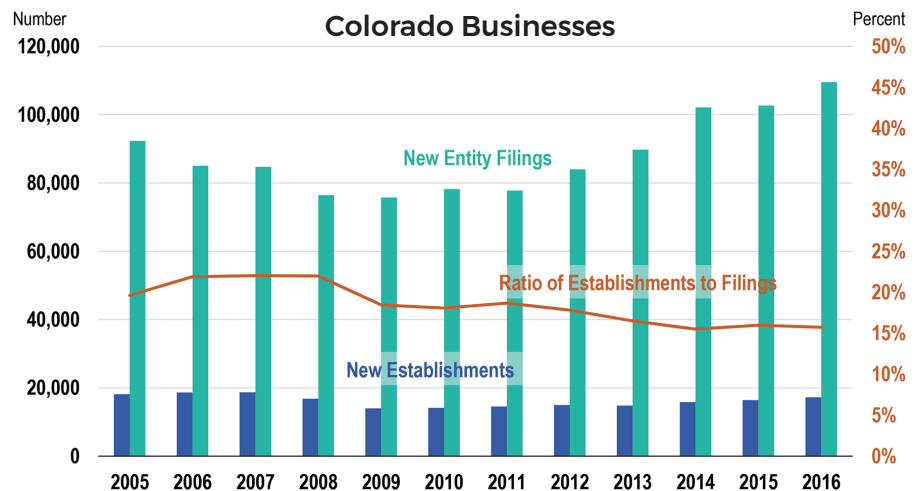
In Colorado, building permits decreased 1.6% in February year-over-year.

New entity filings hit pause. Total new entity filings declined 5.6% year-over-year in Q1 2020, but increased in seasonal fashion compared to the preceding quarter. A total of 125,090 total new entities were filed in the twelve months ending in Q1 2020, which is a decrease of 1.4% year-over-year.

Existing entity renewals record strong quarter. Existing entity renewals in Q1 2020 were 172,267, a 7.8% increase year-over-year. In the twelve months ending in Q4, entity renewals increased 3.4%.

Colorado business leaders' confidence falls to historic lows ahead of Q2 2020.

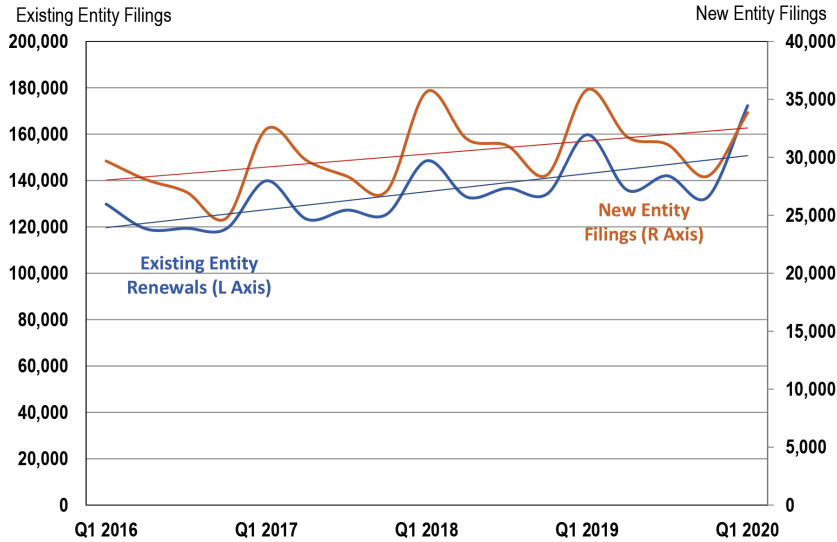
The Leeds Business Confidence Index (LBCI) fell to a record low in Q2 2020 as business leaders expressed pessimism about the national economy, state economy, and their respective industries. While the Q3 outlook remained pessimistic, the uptick in confidence signaled a sentiment of an improving economy later this year.



Source: U.S. Census Bureau, Business Dynamics Statistics, Office of the Secretary of State, Calculations by BRD Staff.

Business Filings Overview

Existing Entity Renewals and New Entity Filings



Mixed results in business filings in Q1 2020.

Total new entity filings and total existing entity renewals increased in seasonal patterns in Q1 2020; however, new entity filings fell 5.6% year-over-year. For the four quarters ending in Q1 2020, new filings decreased both year-over-year and over the quarter, while existing entity renewals posted strong gains. A total of 33,848 new entities and 172,267 existing entity renewals were recorded in Q1 2020.

Dissolution filings increased 6% year-over-year and 11.5% quarter-over-quarter. Trademarks and trade names both fell sharply over the year. Total entities in good standing also slipped, decreasing 1% over the quarter.

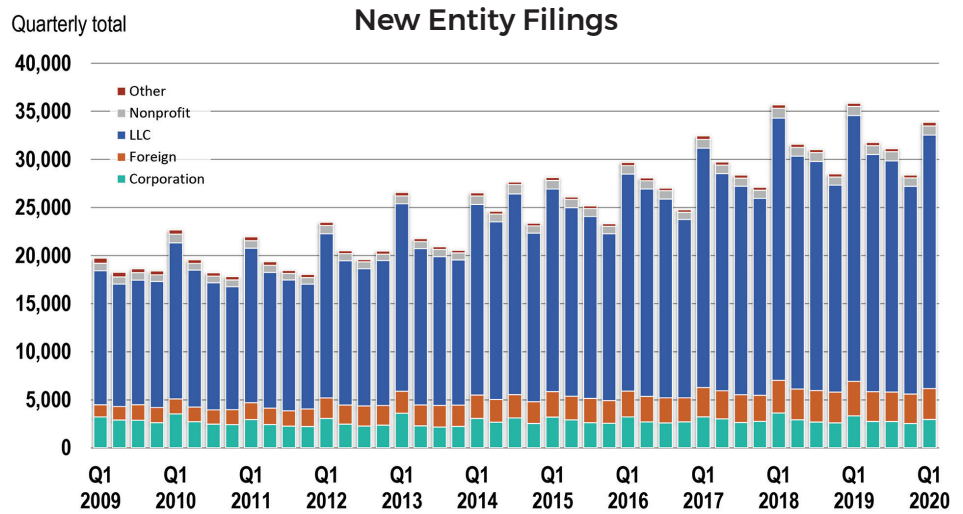
	Q1 2020	Q4 2019	Q1 2019	Percent Change over Prior Year		5-Year CAGR ^a	
New Entity Filings							
Domestic Limited Liability Company	26,368	21,619	27,666	-4.7%	▼	4.6%	▲
Domestic Nonprofit Corporation	951	872	937	1.5%	▲	1.4%	▲
Domestic Corporation	2,944	2,521	3,327	-11.5%	▼	-1.6%	▼
Other Entity Types	3,585	3,359	3,907	-8.2%	▼	3.9%	▲
Total New Entity Filings	33,848	28,371	35,837	-5.6%	▼	3.8%	▲
Total New Entity Filings - 12 mo. trailing	125,090	127,079	126,913	-1.4%	▼	3.9%	▲
Existing Entity Renewals							
Domestic Limited Liability Company	109,932	83,282	100,076	9.8%	▲	9.0%	▲
Domestic Nonprofit Corporation	13,143	10,234	12,449	5.6%	▲	2.5%	▲
Domestic Corporation	30,697	24,213	30,230	1.5%	▲	0.4%	▲
Other Entity Types	18,495	15,025	16,991	8.9%	▲	7.1%	▲
Total Existing Entity Renewals	172,267	132,754	159,746	7.8%	▲	6.4%	▲
Total Existing Entity Renewals - 12 mo. trailing	582,888	570,367	563,489	3.4%	▲	6.0%	▲
Other Business Filings							
Dissolution Filings	10,363	9,291	9,775	6.0%	▲	9.9%	▲
Dissolution Filings - 12 mo. trailing	35,602	35,014	33,485	6.3%	▲	9.7%	▲
Trademarks	803	906	952	-15.7%	▼	0.7%	▲
Trademarks - 12 mo. trailing	3,433	3,582	3,625	-5.3%	▼	1.3%	▲
Trade Names	11,339	9,273	12,508	-9.3%	▼	-1.6%	▼
Trade Names - 12 mo. trailing	41,881	43,050	44,491	-5.9%	▼	-1.0%	▼
Entities in Good Standing							
Corporation	121,518	124,512	123,305	-1.4%	▼	-0.2%	▼
Foreign	80,993	81,238	77,243	4.9%	▲	6.7%	▲
Limited Liability Company	479,392	482,876	455,814	5.2%	▲	7.5%	▲
Nonprofit Corporation	50,947	51,396	50,227	1.4%	▲	2.0%	▲
Other Entity Types	11,530	11,788	11,572	-0.4%	▼	1.9%	▲
Total Entities in Good Standing	744,380	751,810	718,161	3.7%	▲	5.4%	▲

^a Compound Annual Growth Rate.

New Entity Filings & Existing Entity Renewals

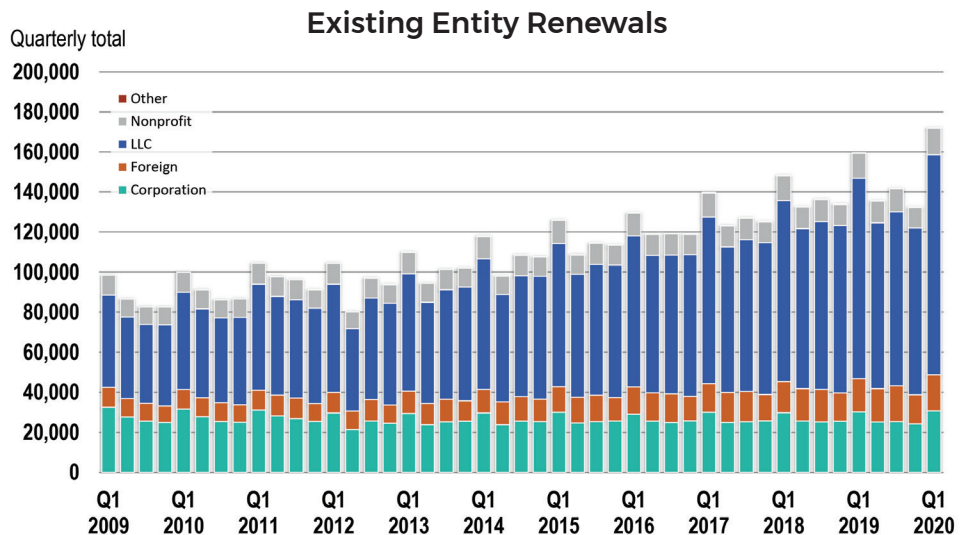
New business filings in Q1 2020 decreased over the year.

New business filings decreased 5.6% year-over-year but increased 19.3% over the prior quarter. The quarterly increase is largely impacted by a strong seasonal pattern. The four-quarter rolling sum of filings, which removes seasonality, recorded a 1.6% decrease in new entities year-over-year and a 1.6% decrease quarter-over-quarter. New filings for domestic nonprofits increased, while filings for all other entities declined. Weekly new entity filings began to deteriorate in March, falling 16.2%, 31.1%, and 33.6% year-over-year in weeks 11, 12, and 13 of 2020.



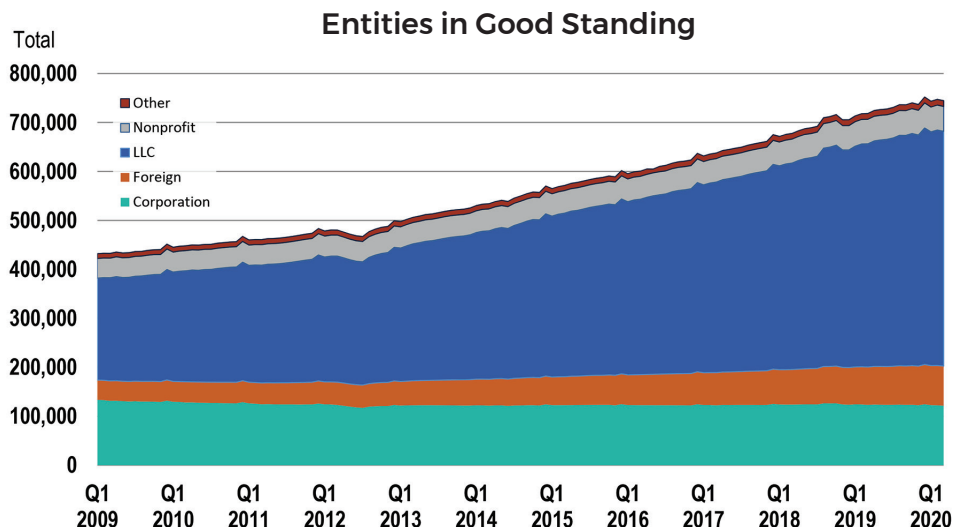
Business renewals up in Q1.

There were 172,267 renewals in Q1 2020, an increase of 7.8% year-over-year and 29.8% over the previous quarter, notching renewals up to record levels. Using a four-quarter rolling sum to remove seasonality, renewals demonstrated an annual increase of 3.4% and a quarterly increase of 2.2%.



Q1 fall in number of businesses in good standing.

Total entities in good standing fell 1% from Q4 2019 to Q1 2020—an infrequent quarterly move. Entities in good standing did, however, increase year-over-year, up 3.7%. LLCs and foreign firms saw the largest increase in entities in good standing, while corporations in good standing recorded the largest pace of decline.



Dissolutions, Trade Names, & Trademarks

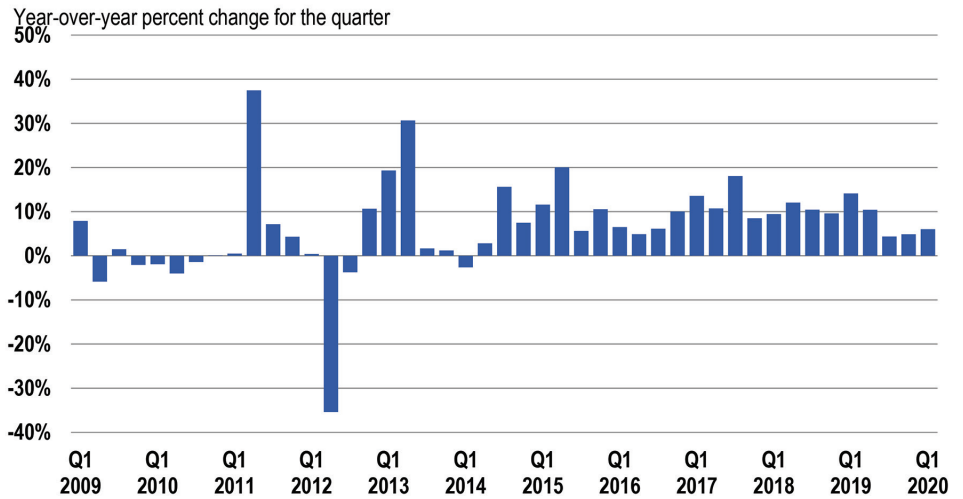
Annual increases in dissolution filings.

A total of 10,363 businesses dissolved in Q1 2020, a 6% increase from the previous year. The 12-month trailing total of dissolution filings—35,602—was up 6.3% year-over-year and 1.7% quarter-over-quarter. Some businesses do not voluntarily dissolve without delay, and dissolution filings often lag the actual business dissolution.

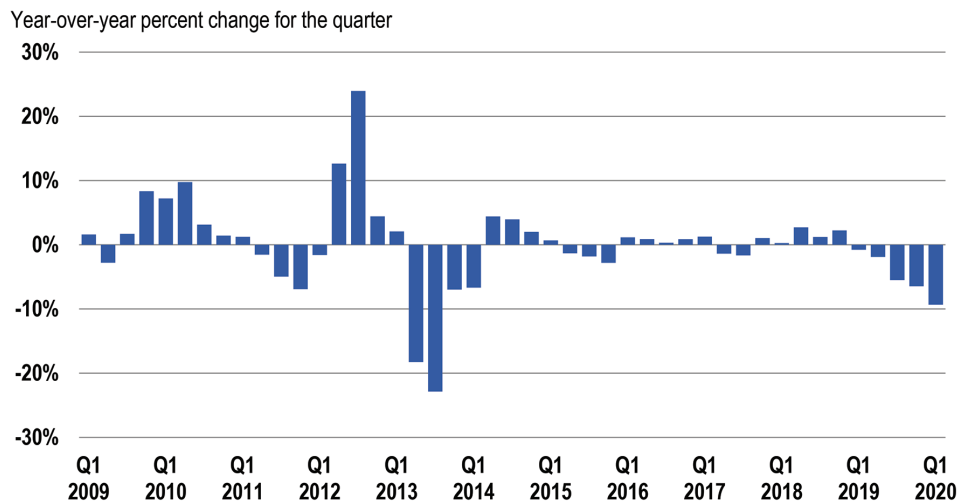
Decline in trade name filings. Trade name filings declined year-over-year, continuing a five-quarter trend. The year ended with 11,339 filings, a 9.3% decline from Q1 2019, but a 22.3% increase from the prior quarter. Trade name filings have declined over the past five quarters. Entities must file a statement of trade name when operating under any name other than their true name.

Q1 fall in trademark filings. After a brief recovery in Q4, trademark filings experienced a 15.7% year-over-year decline in filings in Q1 2020. There were 803 trademark filings in Q1 2020, a 11.4% decrease from the prior quarter. Using a 12-month trailing sum to adjust for seasonality, filings declined 5.2% year-over-year in Q1. Trademarks protect the symbols and words used in commerce.

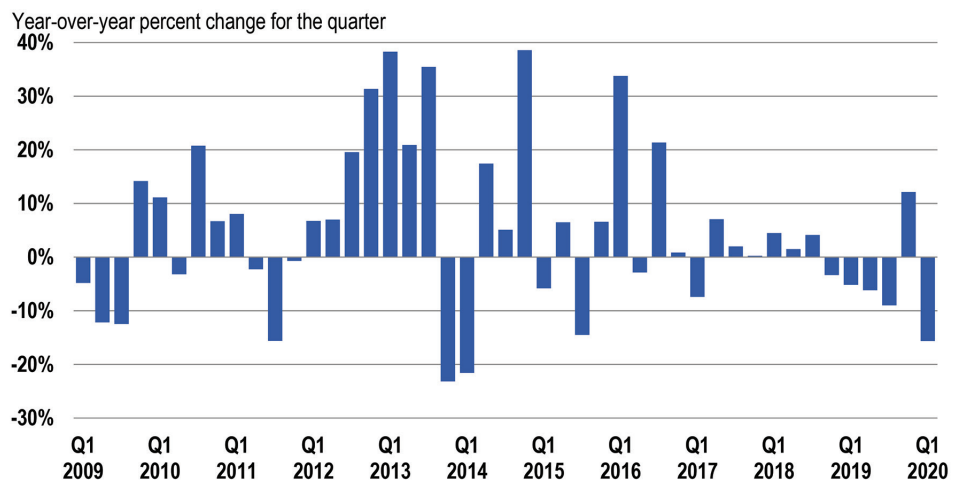
Dissolution Filings



Trade Name Filings

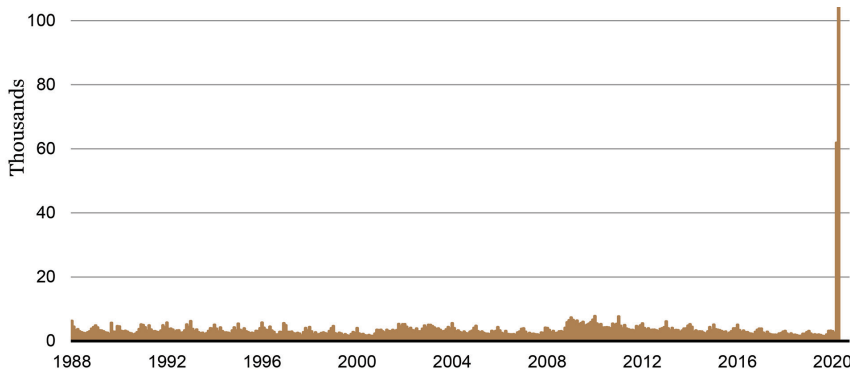


Trademark Filings



Colorado Economic Indicators

Colorado Initial Jobless Claims



Source: United States Department of Labor, Employment and Training Administration. Unemployment Insurance Weekly Claims.

According to the U.S. Department of Labor, Employment and Training Administration, initial jobless claims in Colorado spiked 105,073 for the week ending April 11, and summed to 233,011 during the last four weeks. For comparison, the initial jobless claims from 3/16/2019 through 3/14/2020 totaled 100,604. This unprecedented surge in unemployment claims stems from the COVID-19 pandemic as businesses across Colorado either drastically reduced their operations or shut down entirely until the situation stabilizes. Due to the lagging nature of economic data, few economic metrics register the deteriorating economy, but the evidence will bear out in the coming weeks.

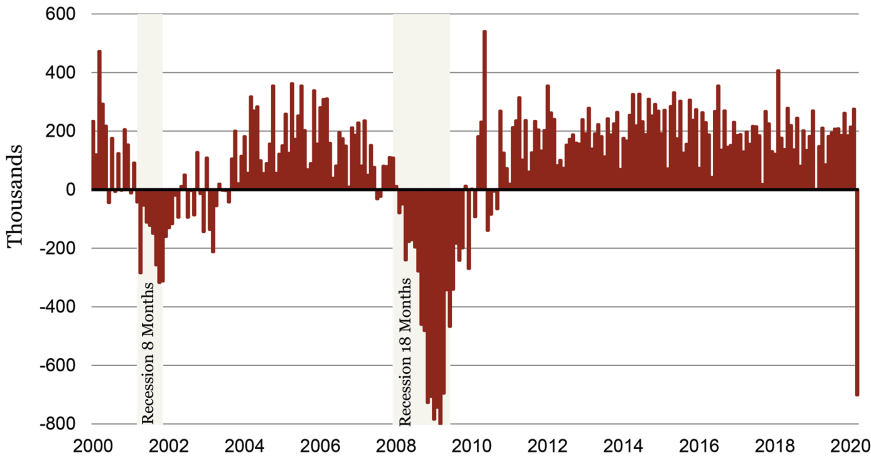
According to the Leeds Business Confidence Index (LBCI), business leaders voiced their pessimism for the state economy as the index dropped from 51.5 ahead of Q1 2020 to 28.8 ahead of Q2 2020—the lowest level in the history of the index. However, looking into Q3 2020, sentiment rebounds modestly, consistent with expectations of an improving economy in the third quarter.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a	
Wealth & Income								
Personal Income (billions of dollars)	357.9	356.6	0.4%	▲	5.4%	▲	5.2%	▲
Colorado Sales Tax Receipts, 12 mo. trailing (billions of dollars)	3.2	3.1	2.6%	▲	6.9%	▲	4.8%	▲
Sales Expectations (LBCI)	32.9	54.1	-39.2%	▼	-42.1%	▼	-12.6%	▼
Profit Expectations (LBCI)	31.5	52.1	-39.6%	▼	-43.3%	▼	-12.3%	▼
Business Outlays								
Annual Wages Per Employee (\$)	61,200	60,344	1.4%	▲	4.9%	▲	3.3%	▲
Hiring Expectations (LBCI)	32.4	50.6	-36.0%	▼	-40.2%	▼	-12.2%	▼
Capital Expenditures Expectations (LBCI)	31.0	50.6	-38.7%	▼	-40.1%	▼	-13.3%	▼
Retail Gasoline Price (dollars per gallon)	1.85	2.69	-31.2%	▼	-34.0%	▼	-5.1%	▼
Economic Overview								
Real Quarterly GDP (billions of chained 2012 dollars)	356.6	354.3	2.6%	▲	3.4%	▲	3.3%	▲
Employment (in thousands)	2,809.5	2,813.5	-0.1%	▼	1.6%	▲	2.2%	▲
Unemployment Rate ^b	4.5%	2.5%	2.0%	▲	1.5%	▲	0.3%	▲
Initial Jobless Claims	105,073	3,001	3401.3%	▲	5058.2%	▲	83.3%	▲
Continuing Jobless Claims	166,170	21,492	673.2%	▲	811.2%	▲	37.9%	▲
Building Permits, Number of Units, 12 mo. trailing	42,378	42,237	0.3%	▲	-1.6%	▼	8.0%	▲
Valuation (millions of dollars), 12 mo. trailing	10,388	10,258	1.3%	▲	1.1%	▲	9.8%	▲
Foreclosures Filings, Number of Units	1,390	1,360	2.2%	▲	-1.9%	▼	-12.7%	▼
Number of Sales	297	335	-11.3%	▼	-0.7%	▼	-24.8%	▼
FHFA Purchase-Only Home Price Index	495	486	2.0%	▲	6.4%	▲	8.9%	▲
Private Firms	208,643	207,117	0.7%	▲	2.6%	▲	3.3%	▲
Rotary Rig Count	16	21	-23.8%	▼	-48.4%	▼	-15.0%	▼
Total Business Bankruptcy Filings	99	89	11.2%	▲	23.8%	▲	-2.1%	▼
Chapter 7	77	69	11.6%	▲	26.2%	▲	-0.8%	▼
Chapter 11	18	15	20.0%	▲	12.5%	▲	1.1%	▲
Chapter 13	4	3	33.3%	▲	33.3%	▲	-15.0%	▼
State Economy Expectations (LBCI)	28.8	51.5	-44.1%	▼	-44.5%	▼	-14.6%	▼

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 19); Colorado Department of Revenue, Office of Research and Analysis (NSA) (M2/20); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 20); Colorado Department of Labor and Employment, QCEW (NSA) (Q3 19); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (04/20/20); Bureau of Economic Analysis, (SAAR) (Q4 19); Bureau of Labor Statistics, CES (SA) (03/20); Bureau of Labor Statistics, LAUS (SA) (03/20); U.S. Department of Labor, Employment and Training Administration (NSA) (04/11/20); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/20); Colorado Division of Housing, Foreclosure Report (Q 19); FHFA Purchase-Only Home Price Index (SA) (Q4 19); Bureau of Labor Statistics, QCEW (Q3 2019); Baker-Hughes (04/17/20); Administrative Office of the U.S. Courts (Q4 19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 20).

^aCompound Annual Growth Rate. ^bPercentage point change.

National Employment, Month over Month Change



Source: Bureau of Labor Statistics, Current Employment Statistics.

National Economic Indicators

The U.S. economy was on a strong footing prior to the COVID-19 pandemic. Gross domestic product grew at an annualized rate of 2.1% in Q4 2019, and grew 2.3% for the full year. The unemployment rate in February stood at 3.5%, and the U.S. added an average of 196,000 jobs per month during the 12 months through February 2020. However, the labor market turned sharply negative in March. National initial jobless claims spiked by a record amount to a record level the week of March 21. The four weeks ending April 11 yielded jobless claims totaling 22 million. Job growth turned to job losses totaling 701,000, the greatest loss since March 2009, and unemployment ticked up to 4.4%.

	Current Period	3 Months Prior	Percent Change over Prior Period		Annual Percent Change		5-Year CAGR ^a		
Wealth & Income									
Personal Income (billions of dollars)	18,821	18,677	0.8%	▲	4.1%	▲	4.2%	▲	
Retail and Food Services Sales, 12 mo. trailing (billions of dollars)	6,259.7	6,235.2	0.4%	▲	3.5%	▲	3.6%	▲	
S&P 500	2,823.2	3,329.6	-15.2%	▼	-2.7%	▼	6.3%	▲	
Annual Wages Per Employee	58,686	58,199	0.8%	▲	3.3%	▲	3.6%	▲	
Business Outlays									
Consumer Price Index	258.0	258.4	-0.2%	▼	1.5%	▲	1.8%	▲	
Core Inflation (All Items Less Food & Energy)	266.8	265.8	0.4%	▲	2.1%	▲	2.1%	▲	
Shelter	324.6	322.3	0.7%	▲	3.0%	▲	3.3%	▲	
Retail Gasoline Price (dollars per gallon)	1.91	2.63	-27.2%	▼	-34.7%	▼	-6.4%	▼	
Economic Overview									
Real Quarterly GDP (billions of chained 2012 dollars)	19,222	19,121	2.1%	▲	2.3%	▲	2.3%	▲	
Employment (in thousands)	151,786	151,998	-0.1%	▼	1.0%	▲	1.5%	▲	
Unemployment Rate ^b	4.4%	3.5%	0.9%	▲	0.6%	▲	-1.0%	▼	
Initial Jobless Claims (4-Week Moving Average)	5,245,000	207,000	2433.8%	▲	2483.7%	▲	77.5%	▲	
Continuing Jobless Claims (4-Week Moving Average)	11,976,000	1,759,000	580.8%	▲	618.4%	▲	39.4%	▲	
Building Permits, Number of Units, 12 mo. trailing	1,397,479	1,357,282	3.0%	▲	6.3%	▲	5.9%	▲	
Valuation (millions of dollars), 12 mo. trailing	284,197	272,704	4.2%	▲	6.6%	▲	7.9%	▲	
FHFA Home Price Index	277.8	274.3	1.3%	▲	5.1%	▲	5.9%	▲	
Rotary Rig Count	529	796	-33.5%	▼	-47.7%	▼	-11.1%	▼	
Total Business Bankruptcy Filings	5,712	5,595	2.1%	▲	-2.4%	▼	-1.7%	▼	
Chapter 7	3,625	3,579	1.3%	▲	5.0%	▲	-3.7%	▼	
Chapter 11	1,498	1,381	8.5%	▲	-15.9%	▼	3.9%	▲	
Chapter 13	401	449	-10.7%	▼	-12.3%	▼	-4.7%	▼	
National Economy Expectations (LBCI)	21.8	45.9	-52.5%	▼	-52.8%	▼	-18.4%	▼	

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 19); U.S. Census Bureau (NSA) (3/20); Yahoo Finance (4/20/20); Bureau of Labor Statistics, QCEW (NSA) (Q3 2019); Bureau of Labor Statistics, All Urban Consumers, U.S. City Average (SA) (3/20); U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices (4/20/20); Bureau of Economic Analysis (SAAR) (Q4 19); Bureau of Labor Statistics, CES (SA) (3/20); Bureau of Labor Statistics (SA) (3/20); U.S. Department of Labor, Employment and Training Administration (SA) (4/11/20); Census Bureau, New Privately Owned Housing Units Authorized (NSA) (2/20); FHFA Purchase-Only Home Price Index (SA) (Q4 19); Baker-Hughes (4/17/20); Administrative Office of the U.S. Courts (Q4 19); Leeds School of Business, Leeds Business Confidence Index (LBCI) (Q2 20).

^aCompound Annual Growth Rate. ^bPercentage point change.



PUBLISHED BY BUSINESS RESEARCH DIVISION, LEEDS SCHOOL OF BUSINESS, UNIVERSITY OF COLORADO BOULDER

Secretary of State Business Filings Q1 2020

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



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