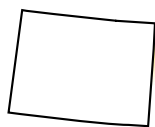


B L C I *Business Leaders Confidence Index*[®]

Third Quarter 2003 • Volume 1 • Number 2



COLORADO

A majority of Colorado business leaders' responses to the most recent BLCI survey reflect optimism about the future, an indication of moderate improvement in the overall national and state economic conditions. Survey participants' confidence in the national economy reflects the recent upward trends of other national economic indicators. At the state level, there are also a number of positive signs, although leaders are less optimistic about the immediate future as growth in the state economy is expected to slow down. The growth of the national economy. Lackluster retail sales and declining employment in the con-

struction and manufacturing industries will prevent Colorado from experiencing the employment growth rates of other states in the western United States.

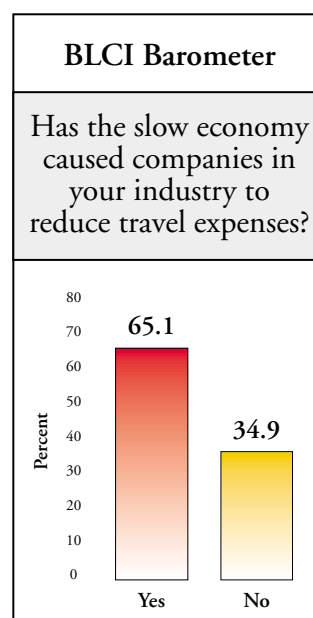
In June 2003, BLCI panelists answered questions on seven topics addressing what they think the national and state outlooks will be in the third quarter of 2003. Expectations for interest rates, sales, profits, hiring plans, and capital expenditures for their particular industry were the other components included in the survey.

BLCI Barometer

This quarter, Colorado business leaders were asked to indicate whether the slow economy caused companies in their industry to reduce travel expenses. Slightly more than 65% indicated that the sluggish economy has caused companies in their industry to reduce travel.

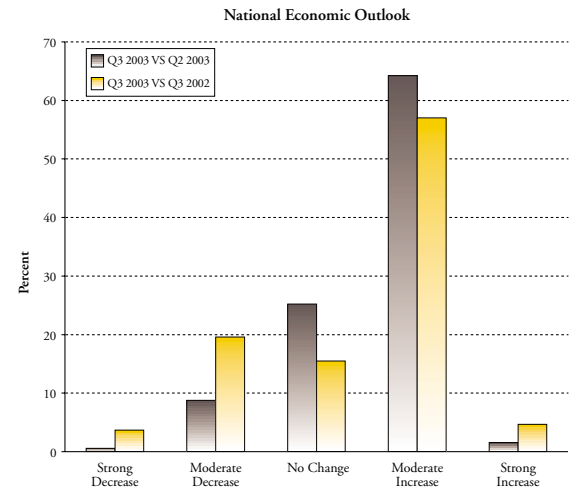
About 10% of the respondents who indicated that the economy led companies in their industry to reduce travel expenses turned to current technologies for making business contacts. Other common responses were that companies are more closely monitoring travel expenses, being more selective about traveling, and attempting to maximize the value of each trip.

On the other hand, 15% of the respondents who indicated that the economy had not reduced travel expenses stated that travel was not a regular part of their business. In addition, about 10% indicated that travel costs were not being cut because travel was absolutely mandatory, while 6% indicated that travel expenses had increased in response to increased opportunities.



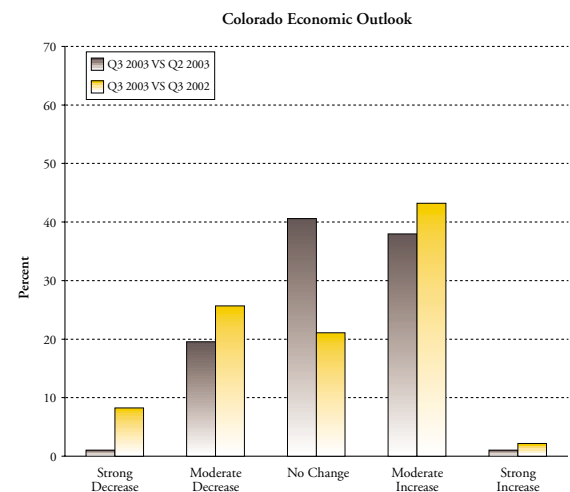
Expectations for the National Economy

Colorado business leaders are gaining confidence in the national economy. In a comparison of Q3 2003 and Q2 2003 expectations, 25.1% felt that the national economy would remain unchanged in Q3, while 64.1% felt that it would increase moderately. The optimism expressed in the BLCI is shared by increases in other key national indicators, such as the Conference Board's Index of Consumer Confidence and its index of Leading Economic Indicators. With the end of the war in Iraq and improved company sales and profits, investors have shown renewed enthusiasm for investments in the various stock markets. Increases in indices such as the ISM non-manufacturing and manufacturing indices are additional signs that economic conditions are beginning to improve.



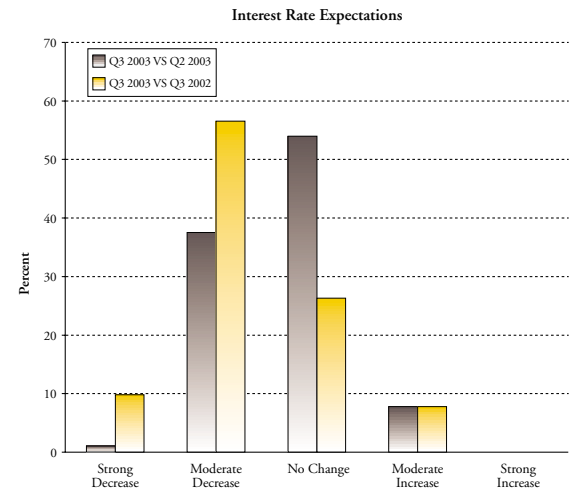
Expectations for the State Economy

While the strength of the Colorado economy is closely linked to the national economy, Colorado business leaders are less enthusiastic about the prospects for growth in Colorado during the third quarter of 2003. Comparing Q3 2003 expectations with those of Q2 2003, 40.5% of respondents felt that the state economy would remain unchanged in Q3, while 37.9% reported it would increase moderately. In addition, 19.5% expected a moderate decrease in the state economy in the months ahead. Lackluster retail sales and continued declines in construction and manufacturing employment will temper the growth of the state economy. On a more positive note, the state unemployment rate is expected to remain about a half point lower than the national rate.



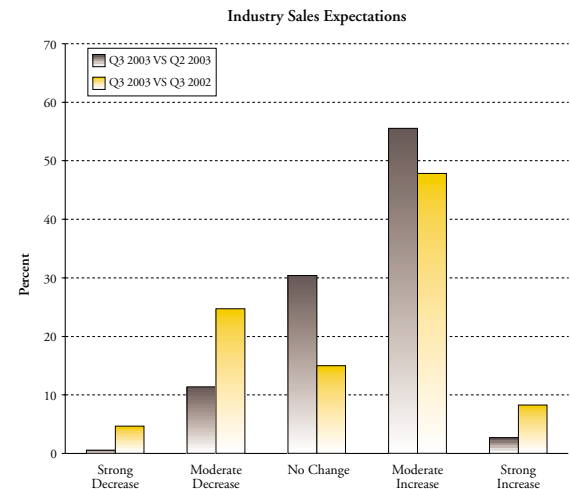
Interest Rate Expectations

Approximately 37.4% of the business leaders felt that interest rates for the third quarter would decrease, and 53.8% thought they would remain unchanged. At the FOMC meeting in late June the fed funds target rate was cut an additional 25 basis points, reducing the rate to 1.00%. (The fed funds target rate is the rate at which depository institutions lend to other depository institutions.) It is felt that a reduction of only 25 basis points indicates that the Federal Reserve is confident that the combination of fiscal policy, in the form of rebate checks to be issued in July and lower tax withholdings, and its expansive monetary policy will adequately shore up the anemic economy in the months ahead.



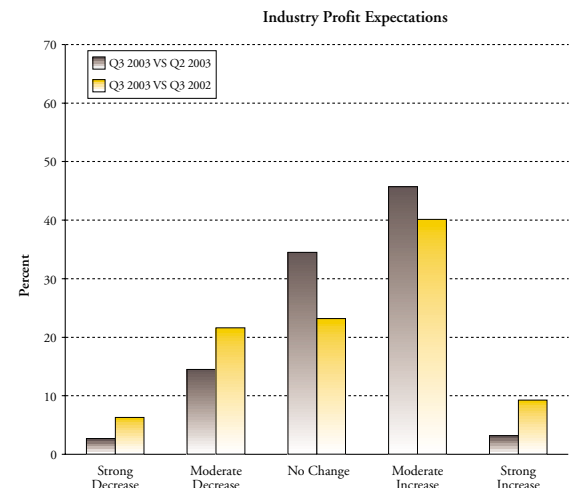
Industry Sales Expectations

Despite the uncertainty about the growth of the state economy, Colorado business leaders are confident about the prospect of increased sales within their industry. The comparison of Q3 2003 and Q2 2003 expectations show that 55.4% felt sales in their industry would increase moderately, while 30.3% of the leaders indicated their industry sales would remain unchanged in Q3. Only 11.3% thought their industry sales would decline moderately during Q3. A review of data available through the first part of 2003 indicates that retail sales have been weak and manufacturing activity has continued to decline. The recovery of these sectors is essential for the state to return to full strength.



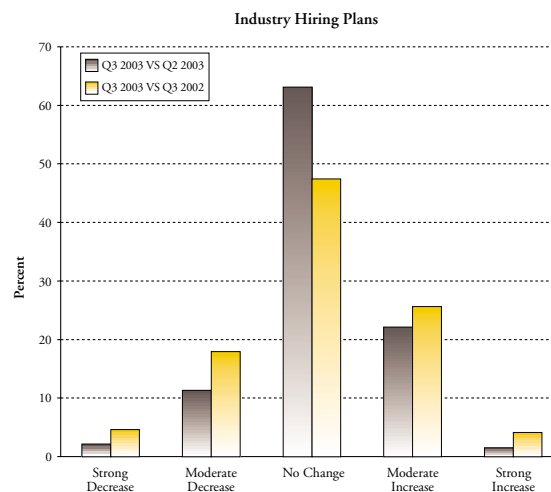
Industry Profit Expectations

During the second quarter, Colorado companies operated in an environment that favored increased profits. Many companies functioned with smaller staff sizes and reduced wages. Moreover, companies benefited from lower interest rates and energy costs. Nevertheless, Colorado companies are ambivalent about whether their industry will show increased profits. A comparison of Q3 2003 and Q2 2003 expectations shows that 45.6% reported profits in their industry would increase moderately, while 34.4% of the leaders felt their industry would remain unchanged in Q3. Only 14.4% thought their industry profits would decrease moderately during Q3. This lack of confidence in increased profits is most likely a sign that business leaders will be hesitant about increasing their hiring and capital expenditures.



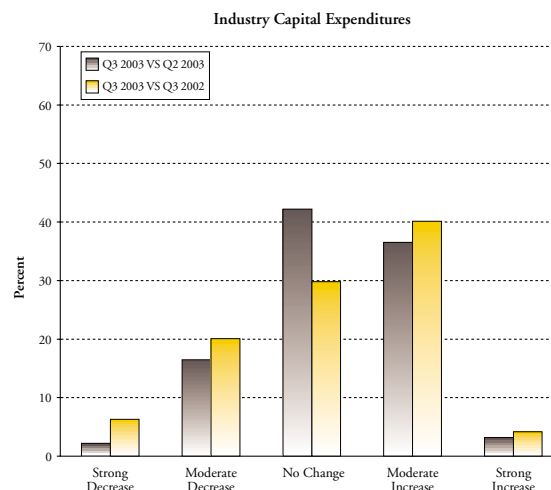
Industry Hiring Plans

Colorado business leaders appear to be slightly less optimistic about employment growth in 2003 than many of the groups that have prepared employment forecasts. These employment forecasts for 2003 show job increases ranging from 0.3% to 0.7%. Because the year started out slowly, strong increases in employment will be necessary during the second half of the year if these forecasts are to be met. The comparison of Q3 2003 and Q2 2003 expectations shows 63.1% of respondents felt that hiring within their industry would remain unchanged in the third quarter. Slightly more than 11% thought that hiring in their industry would decrease moderately, compared to 22.1% who felt hiring would increase moderately.



Industry Capital Expenditures

Weak business spending patterns have prevented the economy from experiencing stronger growth during the past year. Renewed enthusiasm for the stock market has occurred since early March because of the end of the war in Iraq and a rise in the number of companies showing improved sales or profits. It is hoped that the combination of these events will result in increased business spending and growth in the economy. Colorado business leaders are cautiously optimistic about future spending as 36.4% project a moderate increase in Q3 2003 versus Q2 2003. About 42.1% do not expect a change between the two quarters, while 16.4% expect a moderate decrease.



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