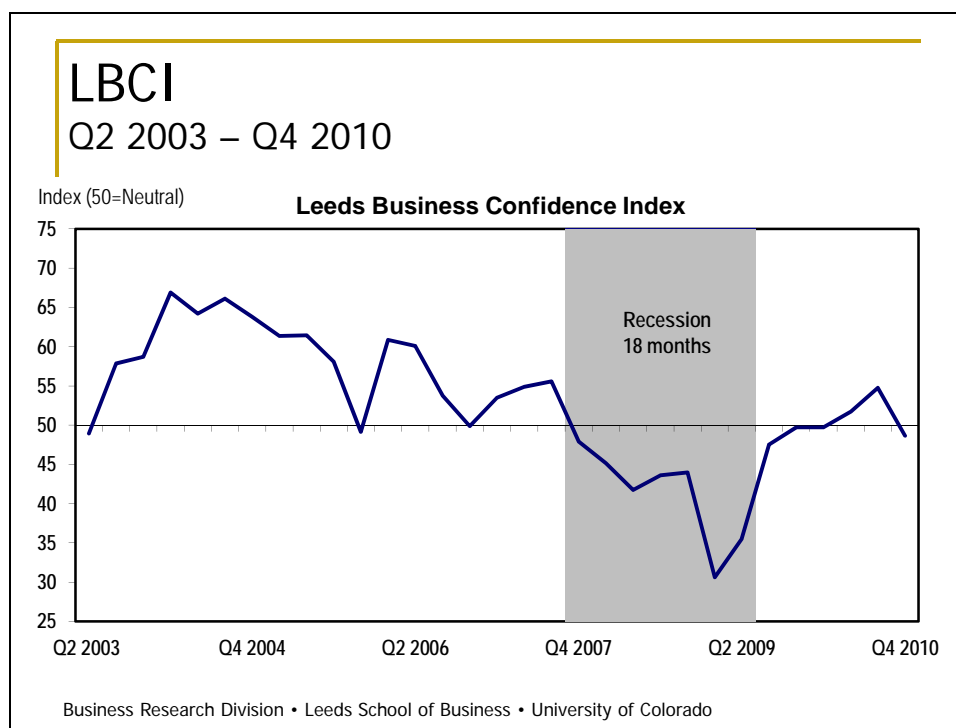


### Overview — End of Recession Doesn't End the Lack of Confidence

Business leaders' confidence going into Q4 2010 contracted for the first time since Q1 2009, and fell back below 50 after two consecutive quarters of growing optimism. The LBCI posted a reading of 48.6, down from 54.8 in Q3 2010. Proportional retraction occurred across all metrics of the LBCI following a quarter of revised employment and GDP metrics indicating slower state and national economic growth.

Overall, business leaders remained optimistic about industry sales, but their expectations for profits, employment, capital expenditures, and state economic growth were neutral (hovering around 50). Panelists were least optimistic about expectations for national growth. They responded that politics, financial markets, confidence, and jobs were the biggest factors inhibiting growth; and jobs, consumers, and construction include the data they are watching to gain confidence in the economy.

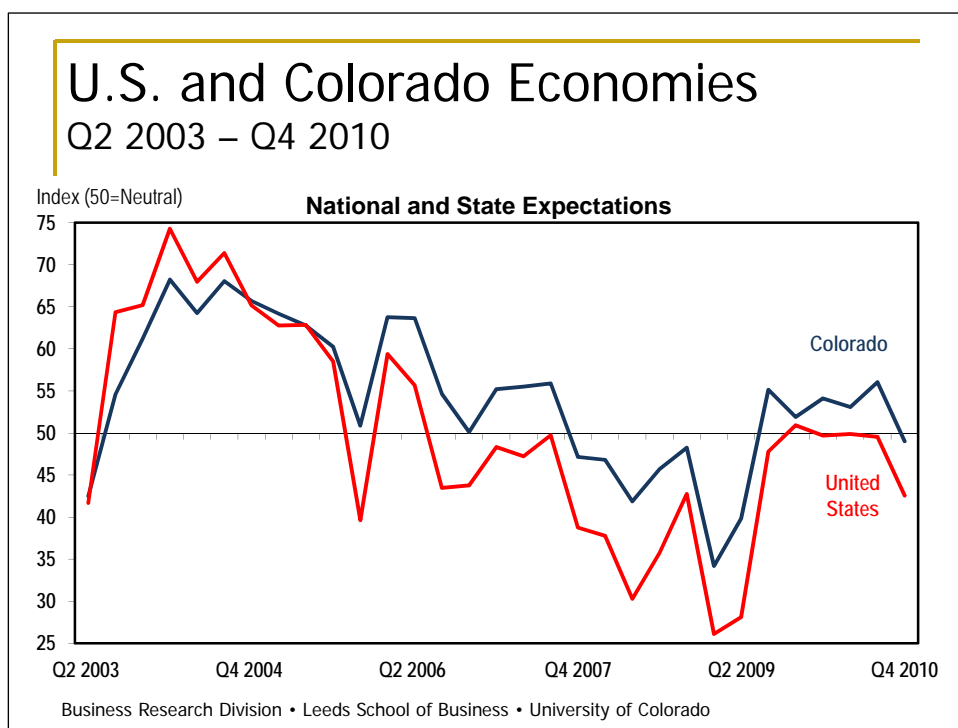


## National and State Economies — Colorado Continues to Outperform Nation

Despite Colorado's late entrance and exit from the recession, business leaders continue to believe Colorado will outperform the country in economic growth. That said, the LBCI recorded declines in growth expectations for both the state and national economies for Q4 2010.

Economic projections indicate national real GDP growth to be three percentage points lower for the year, from the range of 3.0%-3.2% in Q2 down to 2.7%-2.9% in Q3. GDP growth in 2011 should be over 3.0%. National employment is expected to contract 0.5% for the year, while state employment will be down 1.6%. It is projected that Colorado will experience notable gains in employment in 2011, albeit over a smaller base, putting the state in the top 10 in terms of employment growth, according to Moody's Economy.com. Population continues to increase at a rate faster than the nation. Inflation-adjusted consumption is expected to grow 1.4%, and consumer prices are anticipated to climb 1.6% after teetering on deflation.

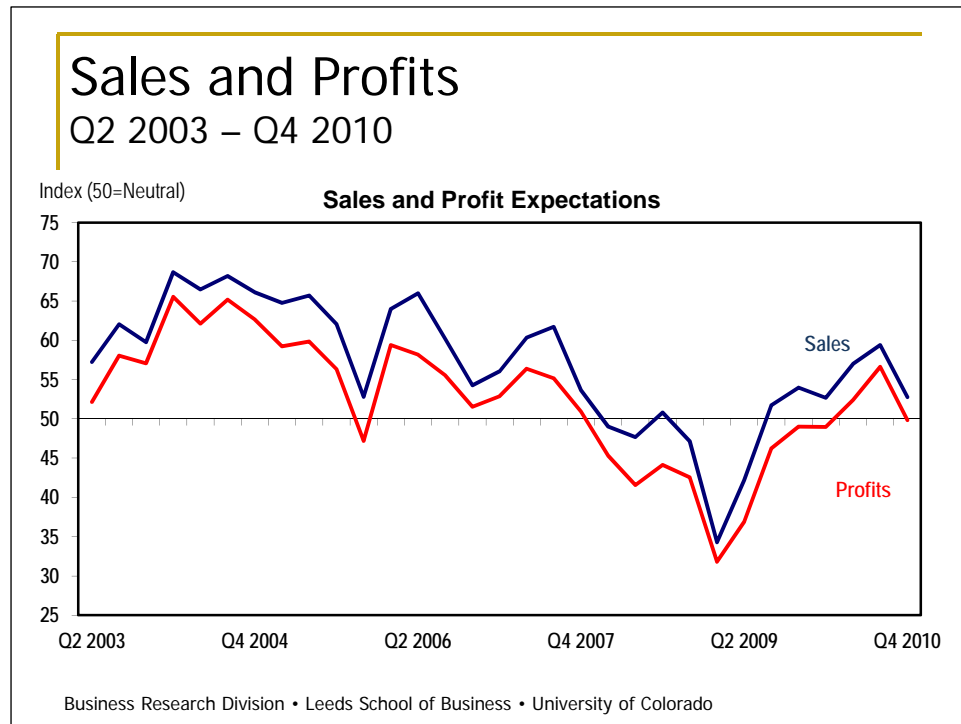
While a double-dip recession has been all but ruled out, the LBCI indicators show a clear lack of direction for the state and national from Q3 2009 to Q3 2010. The Q4 data only muddy the outlook by slipping back to negative territory, possibly exemplifying tentative market reactions similar to those to 2005 and 2006.



The component measuring expectations of the national economy dropped sharply from Q3 to Q4, from 49.5 to 42.6. Only 23% of respondents believe the national economy will improve in Q4, while 45% indicated further contraction. State business leaders remain tempered about the prospects for the Colorado economy, with this component of the Q4 index falling from 56.1 to 49.0. Nearly 30% of business leaders are optimistic about the prospects for the economy, while 31% are negative and 39% remain neutral.

## Sales and Profits — Business Leaders' Optimism Waning

Business leaders' optimism about their industry pulled back in Q4, yet remained neutral to positive. Sales expectations for Q4 decreased from 59.4 to 52.8. Nearly 37% of respondents expect industry sales to increase during Q4, and another 37% anticipate flat sales. Only 26% of respondents forecast a decline for their Q4 sales prospects.



After two consecutive periods of growth, profits expectations also fell in Q4 to neutral, down to 49.8 from 56.6. Those expecting growth in profits barely outnumbered those forecasting a decline, 30% versus 29%. About 41% anticipate no change.

Companies are currently

maintaining profits after taking aggressive steps to trim operations. Expect growth in profits to accompany sales increases.

## Capital Expenditures and Hiring Plans — Two Steps Forward, One Step . . .

Business leaders nearly retracted their hiring and investment expectations for Q4, which are integral components for an economic recovery. The values for both components fell to 48.7 and 49.0, respectively.

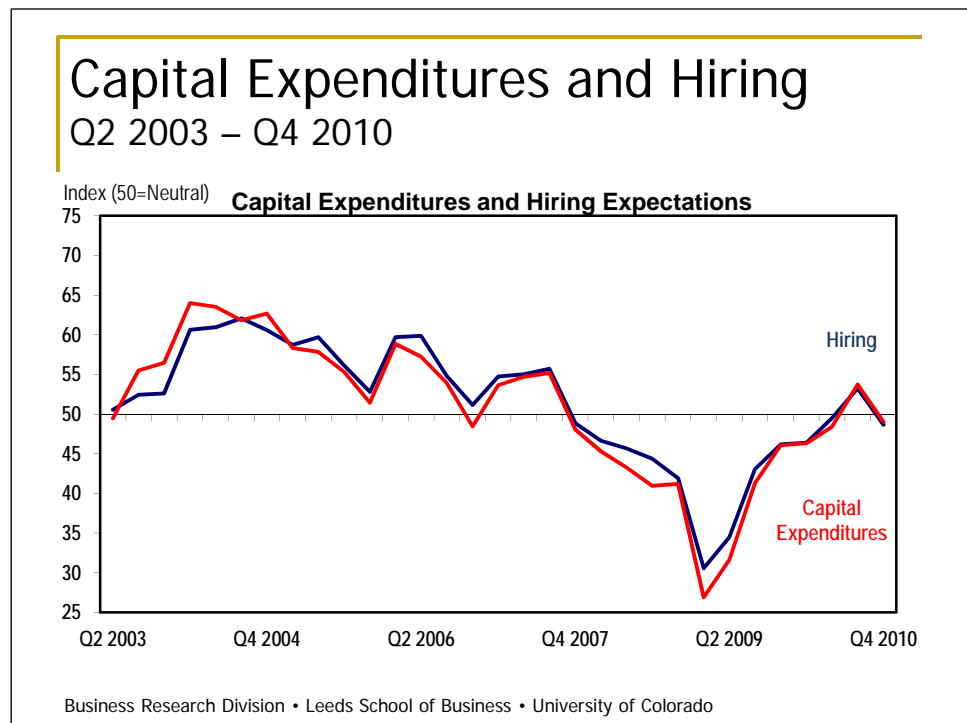
Q4 expectations for capital investment fell from 53.7 to 49.0, with a majority of respondents remaining neutral (52%). Those expecting moderate to strong increases nearly equaled those anticipating moderate to strong decreases (25% vs. 24%).

The expectations for hiring produced similar values, decreasing from 53.3 to 48.7, with an even greater majority remaining neutral (56%). The percentage of respondents expecting employment declines narrowly outweighed those expecting increases (23% vs. 22%).

Employment numbers from the Bureau of Labor Statistics show continued year-over-year job losses in the state, but indications are that the state will begin adding jobs year over year in November. Gains in the last months of the year will not be large enough to offset the losses incurred in the first 10 months, leaving the state with an estimated 36,000 fewer jobs (-1.6%). These declines come on top of the 106,300 losses incurred in 2009. Since employment peaked in 2008, 26 months have passed, and by all counts it will be more than 26 months before Colorado gets back on par with 2008 employment. Since then, the state has added more residents and graduates who are queuing for jobs; thus, more jobs will be needed to even meet 2008 unemployment rates.

Employment figures vary greatly by industry and by metropolitan statistical area (MSA) in Colorado. Seasonally adjusted August figures indicate very slight employment gains in the Greeley

(+0.1%) and Pueblo (+0.2%) MSAs, slight losses in the Boulder (-0.2%) and Denver-Aurora-Broomfield (-0.7%) MSAs, and more substantive losses in the Colorado Springs (-1.3%) and Fort Collins-Loveland (-1.4%) MSAs. Through August, Education and Health Services, Government, Other Services, and Leisure and Hospitality registered seasonally adjusted employment gains, while Manufacturing and Construction recorded substantial losses.



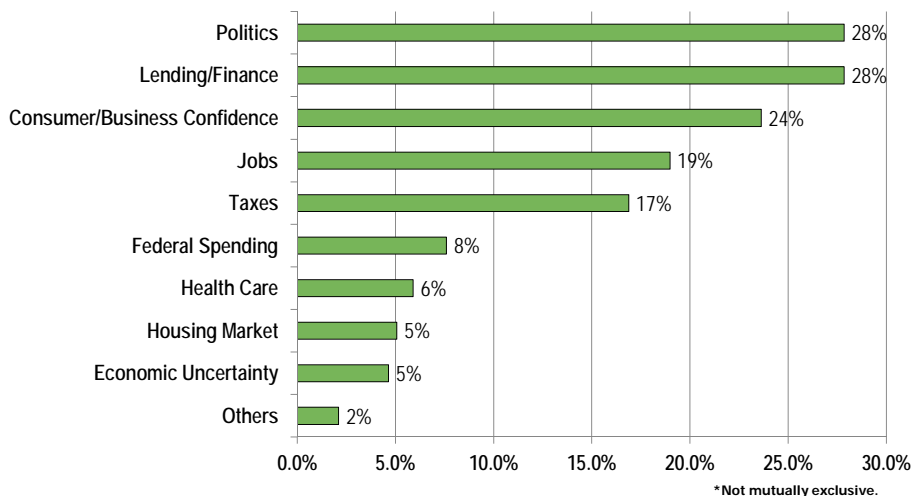
## Factors Inhibiting Growth and Metrics for Confidence

Panelists were asked to comment on the greatest factor inhibiting the recovery and metrics they are watching to gain confidence in the recovery through open-ended questions.

Approximately 28% of respondents indicated politics and lending/financial markets (tied) as recovery inhibitors. Roughly 24% blamed consumers, 19% cited jobs, and 17% indicated taxes as inhibiting the recovery. All other responses, including federal spending, health care, housing, and others, each recorded less than 10% of the responses.

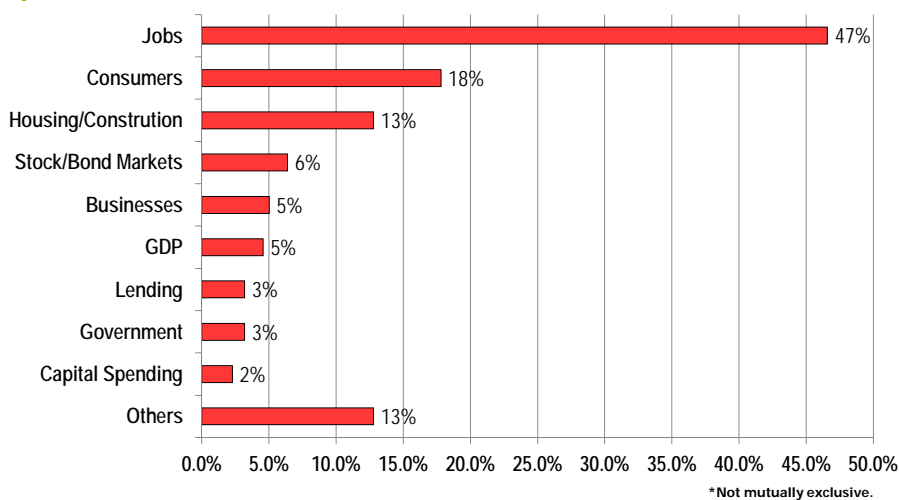
Lastly, respondents were asked to comment on the data metric they are closely watching to gain confidence in the economy. Nearly one-half of responding panelists (47%) indicated they are watching job growth to gain confidence in the recovery, while 18% pointed to consumers and 13% to housing/construction.

### Greatest Factor Inhibiting Recovery



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### Metrics to Gauge Confidence



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