

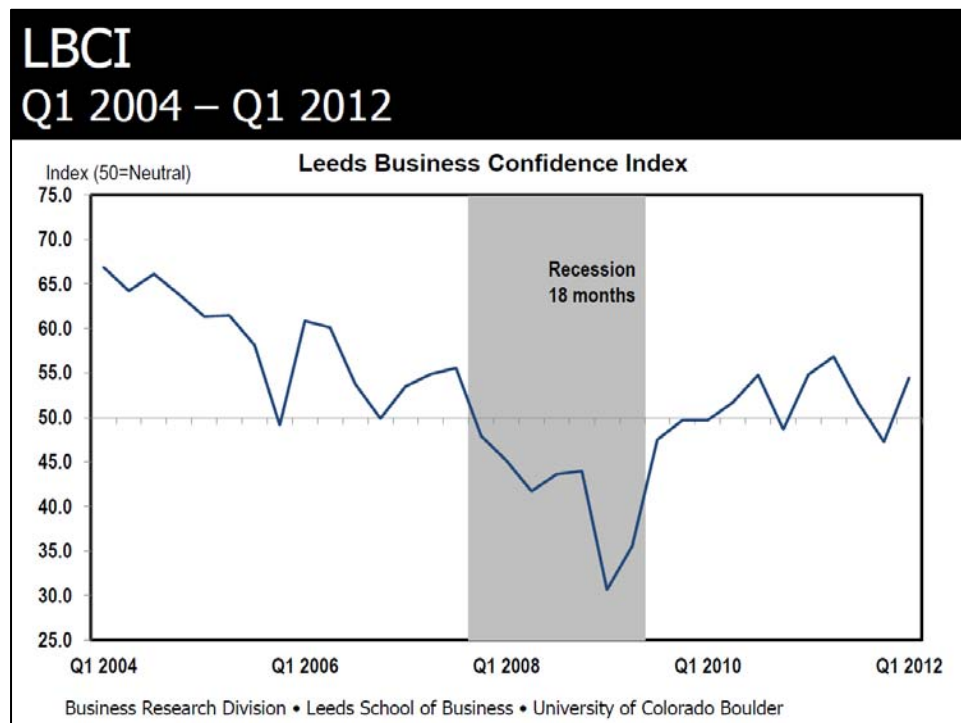
PRESS EMBARGO UNTIL 8:00 a.m., January 3, 2012.

Overview — Resuming Optimism

Looking ahead to Q2 2012, Colorado business leaders' optimism has resumed. The Leeds Business Confidence Index (LBCI) measures the confidence of Colorado business leaders in six categories: national economy, state economy, industry sales, industry profits, hiring plans, and capital expenditures. The LBCI's reading improved from 47.3 in Q4 to 54.5 in Q1.

Confidence improved for all metrics, settling above the neutral mark (50). More robust sales and profits expectations have a lagging effect on hiring and capital expenditures. Expectations for the state and national economies both ticked up, with state expectations rocketing from 49 to 58.4 in Q1 2012. The expectations differential between the state and the nation remained high, at 7.2, in Q1, indicating greater confidence in the local economy than the national.

Looking back, many factors led to pessimistic readings in Q4 2011. Last quarter, the European debt crisis was on the verge of taking down Greece, spreading to other debt-burdened countries with structural deficiencies, and causing failures of large banks and even the common currency. The United States was coming off a ratings downgrade, the budget impasse threatened to shut down the U.S. government, and employment recorded softer growth leading up to last quarter's LBCI release.



Looking ahead to Q1 2012, month-over-month employment figures and jobless claims are pointing to an improving labor market. The lack of consensus reached by the debt super committee, while disappointing, limited immediate impacts on federal spending and the markets. Drags on the recovery still persist—the European debt

crisis, weak housing prices and construction, and less-than-robust employment growth. However, modest improvement in the economic situation has resulted in growing optimism.

National and State Economies — Rebound?

Both the national and state outlook rose above the neutral mark for Q1, reversing three consecutive quarters of decline for the state and two for the nation. Optimism about the local economy continues to outstrip that of the nation—a 27-quarter trend in the index. Reassuringly, the state index rose to its highest level since Q2 2006, prior to the financial crisis and recession.

With a reading of 58.4, confidence in the state economy emerged from negative territory. More than one-third of respondents are neutral regarding the state economy, while 48.5% expect expansion (up from 23% in Q4). The two “tails” of the survey scale, strong increase and strong decrease, each garnered only 1.7% of responses.

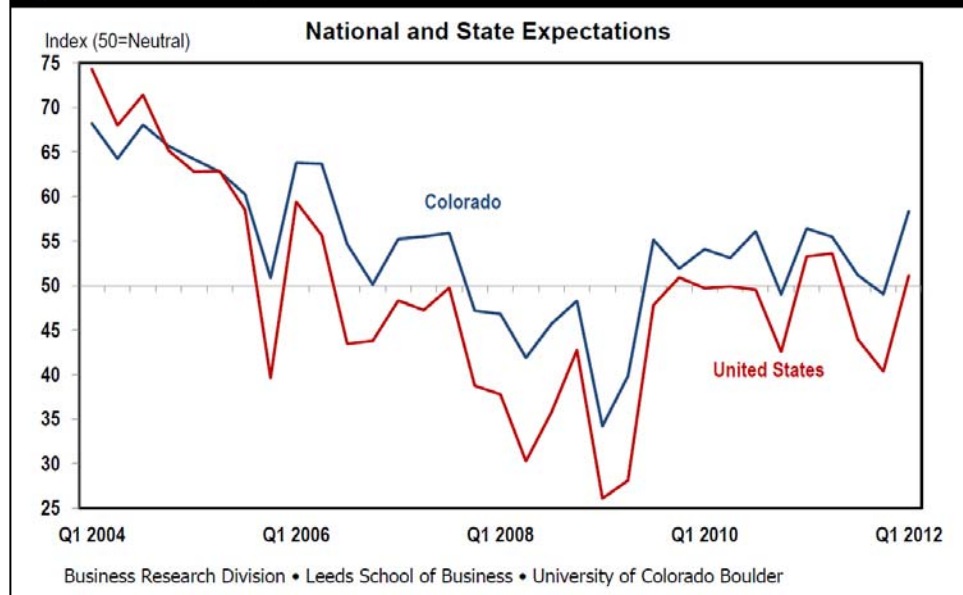
Confidence in the national economy increased 10.8 points, from 40.4 to 51.2. Optimists outweighed pessimists 33.9% to 26.4%. Nearly 40% remained neutral.

Economic data released during the fourth quarter brightened Colorado business leaders’ expectations for the state and national economies. After expanding by 3.0% in 2010, economic projections for GDP have been revised to 1.8% for 2011, and between 2.1% and 2.6% for 2012. Importantly, these forecasts are not calling for a recession in 2012.

The Bureau of Economic Analysis reported that quarterly GDP growth increased a slow 0.4% in Q1, 1.3% in Q2 2011, and 1.8% in Q3 2011. Initial unemployment claims continue to decline. The Bureau of Labor Statistics (BLS) revised the seasonally

adjusted month-over-month U.S. employment figures for August from a dismal zero up to 104,000. September, October, and November saw growth of 210,000, 100,000, and 120,000, respectively. Colorado, too, posted gains during this period. Nationally, inflation-adjusted consumption is expected to grow 1.9%, and consumer prices are anticipated to climb 2% in 2012. Home prices and stagnant housing starts continue to be concerns.

U.S. and Colorado Economies Q1 2004 – Q1 2012



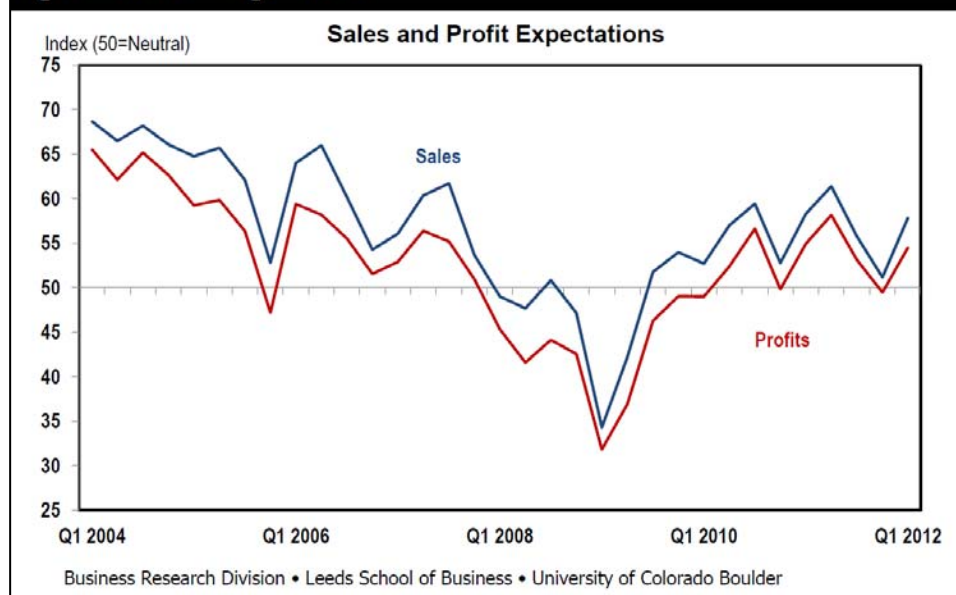
Sales and Profits — Spiking Expectations

Positive expectations in Q1 2012 bucked two quarters of sharp declines for sales and profits expectations. The sales index recorded a reading of 57.8, and profit, 54.5—increases from 51.2 and 49.5, respectively.

The sales index, at 57.8, was lifted by the 49% of respondents who expect an increase in sales in Q1 versus only 18.4% who anticipate declines. Nearly 33% of respondents remain neutral. Few are on the extreme tails of the scale, with 2.5% expecting strong increases and 1.7% strong decreases.

The profit index improved from 49.5 to 54.5, crossing the critical neutral mark of 50. More than 39% of respondents call for growth in profits in Q1, while 20.5% foresee declines. The

Sales and Profits Q1 2004 – Q1 2012



remaining 40.2% are neutral.

Eyes remain on the consumers for their ability to continue adding to sales and profits. Prices are under control, and unemployment and consumer confidence have seen modest improvement, signaling greater strength in the U.S. economy. The BLS announced that

national unemployment improved to a seasonally adjusted 8.6% in November, the lowest figure since March 2009. In Colorado, the rate improved to 8.1%. According to the Conference Board, the Consumer Confidence Index climbed to 56.0 in November for the nation, up from 40.9, while the mountain region increased to 51.3. The BLS reported the Consumer Price Index for All Urban Consumers rose 3.6% year-over-year in October, while core inflation was up 2.1% for the same period. Colorado exports and foreign tourism could be impacted if the eurozone crisis persists and is deep.

Capital Expenditures and Hiring Plans — Moving in Tandem

Macro forecasts for 2012 business fixed investment and hiring improved in Q4 2011 with the permeation of some positive economic news. LBCI panelists responded accordingly, with moderate to strong increases in capital expenditures and hiring expected in Q1. These two metrics now move almost entirely in tandem.

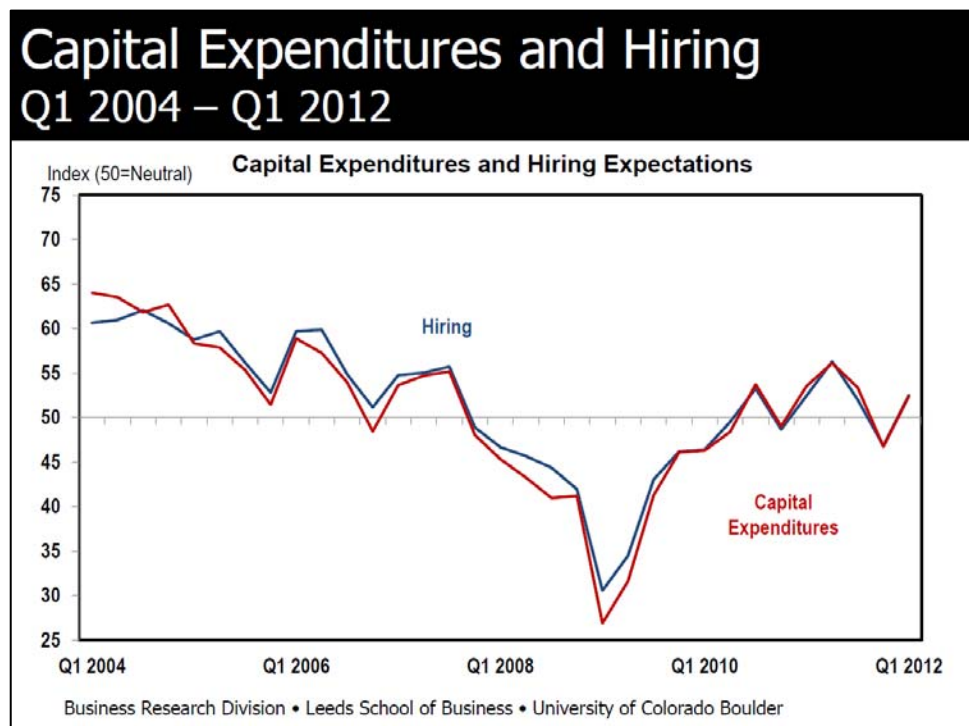
Capital investment expectations measured 52.4, up from 46.7 in Q4. While panelists were mostly neutral (46%), one-third expect a boost in capital expenditures. The tails, including strong increase and strong decrease, were 2.9% and 5.4%, respectively.

Hiring expectations increased to 52.5 for Q1, up from 46.8 in Q4. Panelists were more neutral on hiring (46.9%) than on any other metric measured. Those expecting moderate to strong increases outweighed moderate to strong decreases 32.6% to 20.5%.

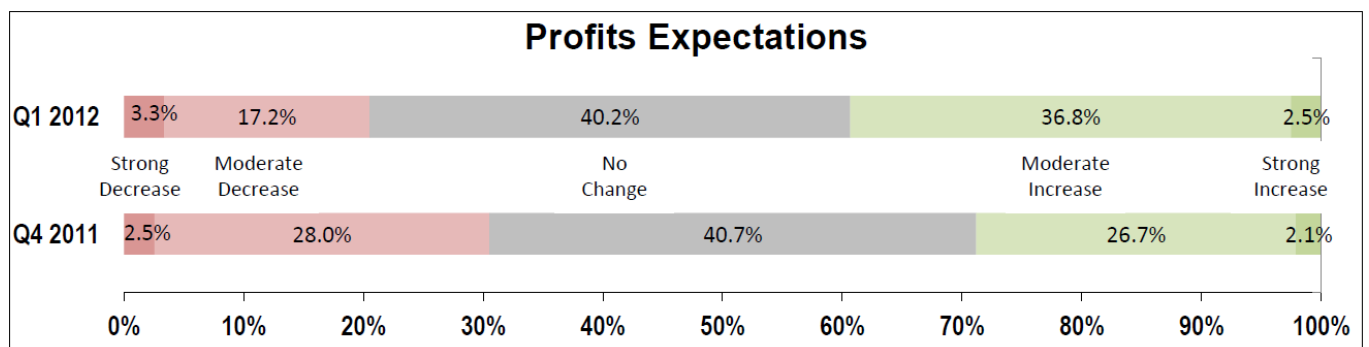
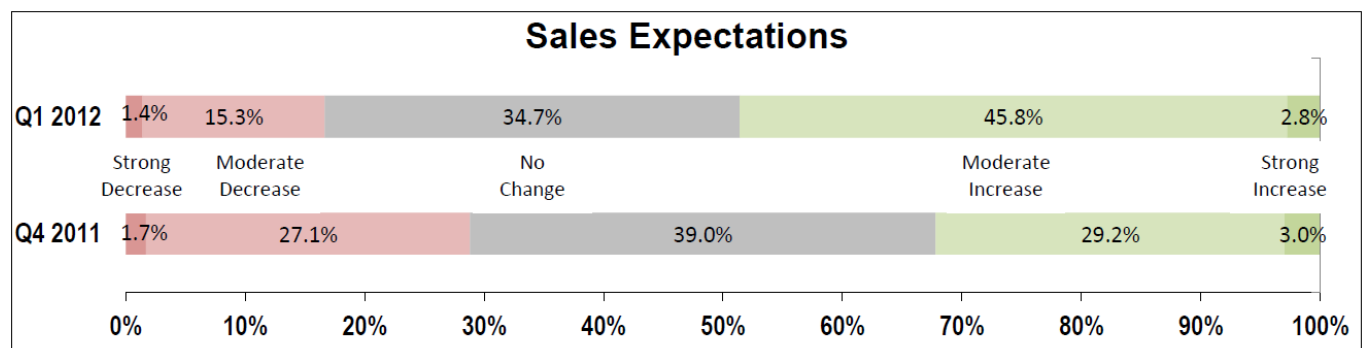
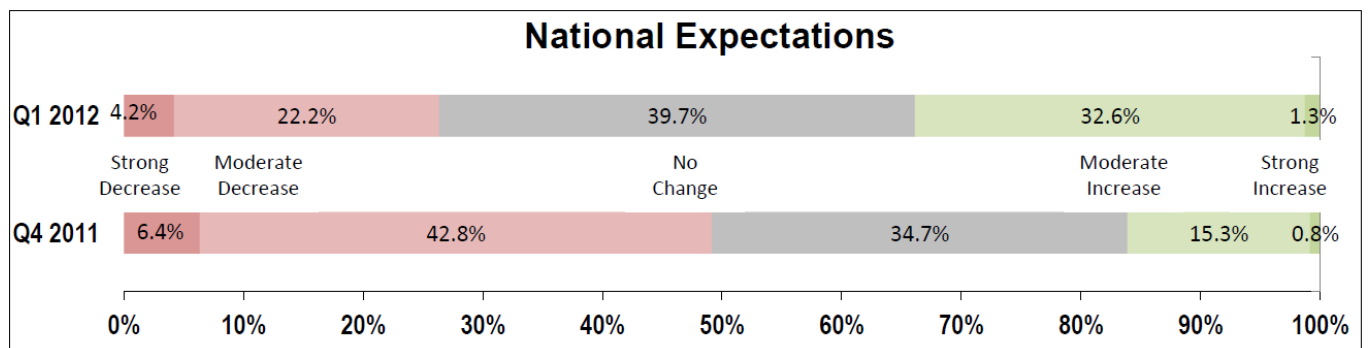
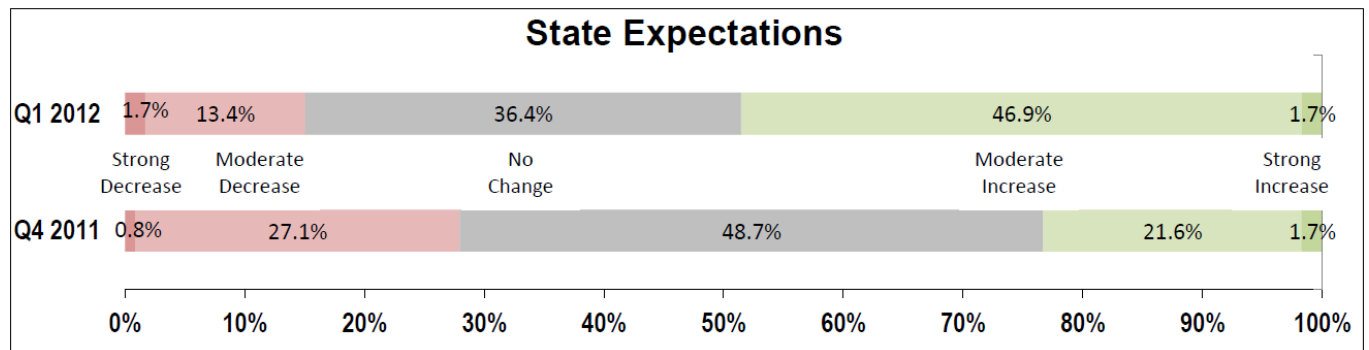
Despite month-to-month volatility in employment, numbers from the BLS show Colorado turned the corner on jobs in October 2010 and has experienced 14 months of year-over-year increases. Colorado is expected to end 2011 with an additional 27,500 jobs, and will add to the gains with 23,000 more jobs in 2012.

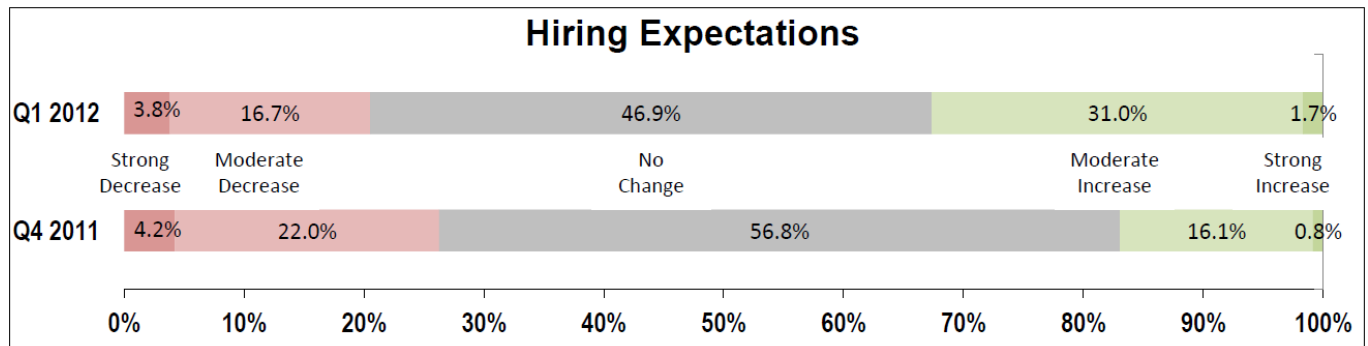
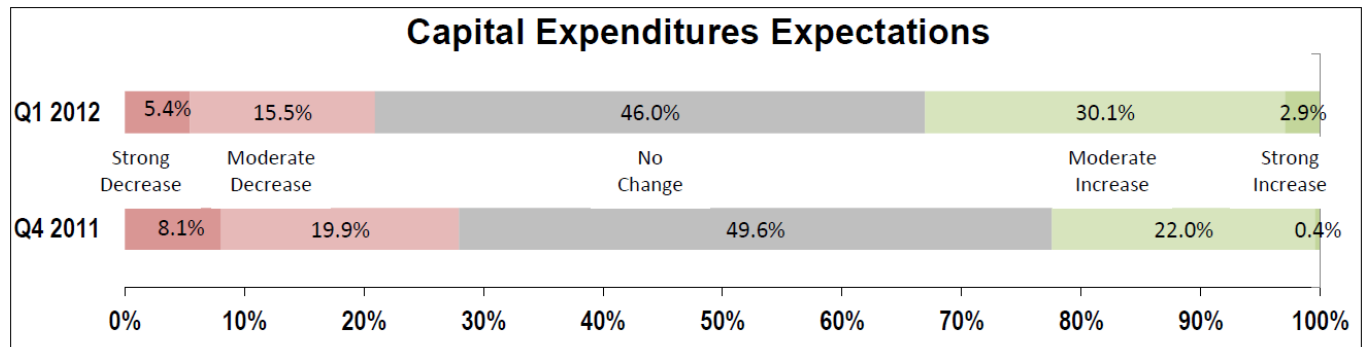
Colorado employment figures vary greatly by industry and by metropolitan

statistical area (MSA). Most MSAs have recorded year-over-year growth in 2011, with November employment figures showing the fastest year-over-year growth rates in the Boulder, Fort Collins-Loveland, and Denver-Aurora MSAs. The Colorado Springs and Grand Junction MSAs lost jobs year-over-year in November. Employment expectations for 2012 portend the greatest gains in Education and Health Services, Professional and Business Services, and Leisure and Hospitality, and losses in Information, Financial Activities, and Manufacturing.



Distribution of Expectations





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For more information about the LBCI and to become a panelist, go to leeds.colorado.edu/brd.