

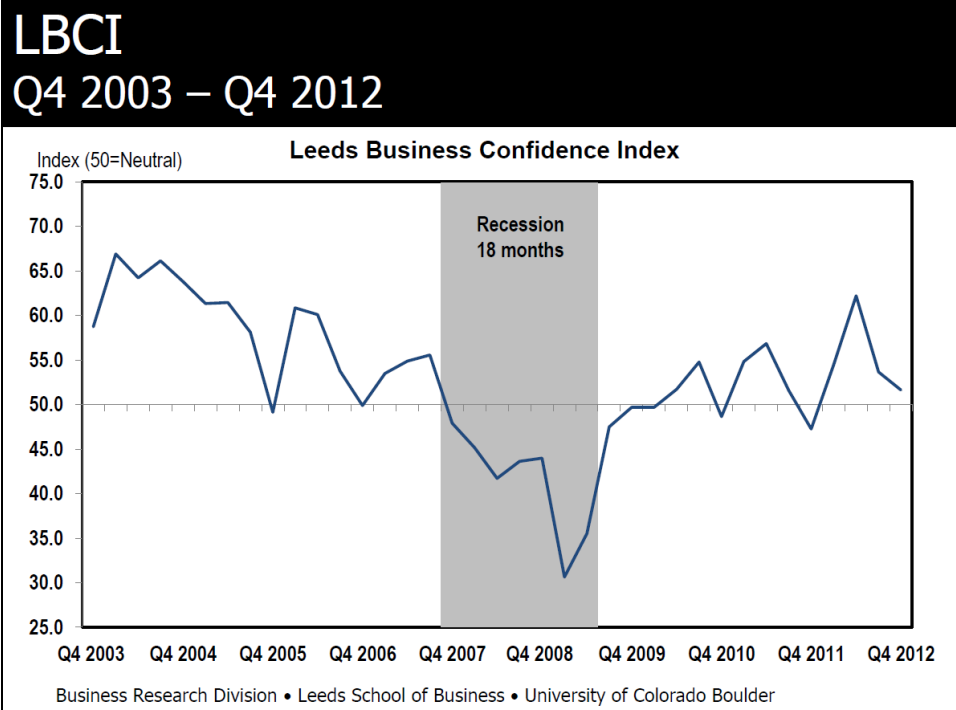
Overview — Holding Steady

Colorado business leaders' attitudes remained almost unchanged going into Q4 2012 as uncertainty regarding the country's political and economic environment continues to pose challenges. 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 remained positive but fell slightly, from 53.6 in Q3 to 51.6 in Q4.

In the Q4 survey, respondents' confidence in the national economy moved in the opposite direction of the rest of the metrics. While confidence in every other category declined but remained above the neutral mark of 50, the national economy saw confidence improve slightly but stay below neutral, at 46.8. Expectations for the state economy remained positive. The differential between the state and the nation narrowed in Q4, to 9.5, indicating that Colorado business leaders still have greater confidence in the local economy than the national economy.

The Q4 index marks a full year of continued optimism, though the decrease in the index reveals caution, most notably regarding the macroeconomic environment.

Looking ahead to Q4 2012, month-over-month employment figures and jobless claims are pointing to a slowly improving labor market. However, drags on the economy persist—the European debt crisis, the rate of employment growth, and the resolution of the federal debt.



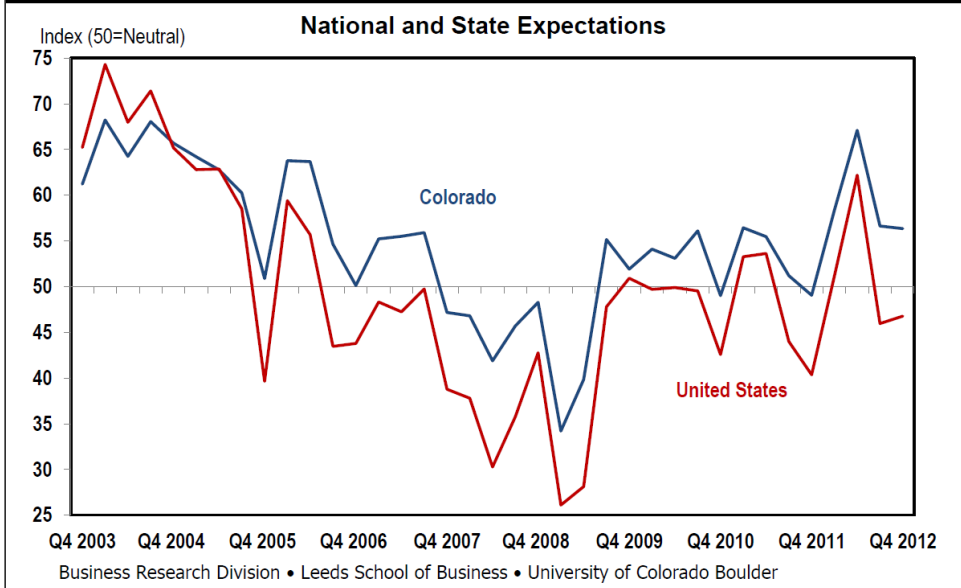
National and State Economies — Mixed Expectations

Panelists have a mixed outlook for the national and state economies in Q4. Colorado is in positive territory, while the national outlook improved, yet remained negative. Optimism about the local economy continues to outstrip that of the nation—a 30-quarter trend in the index.

Confidence in the state economy was almost unchanged, at 56.3, reflecting optimism tempered by uneasiness and caution. Roughly 46.5% of respondents are neutral regarding the state economy, while 38.7% expect expansion (down from 43.0% in Q3). The gap between the two “tails” of the survey scale, strong increase and strong decrease, widened with values of 0.9% and 2.3%, respectively.

Confidence in the national economy increased 0.8 points, to 46.8, with pessimists outweighing optimists 35.0% to 24.9%. Roughly 40.1% of survey respondents remain neutral.

U.S. and Colorado Economies Q4 2003 – Q4 2012



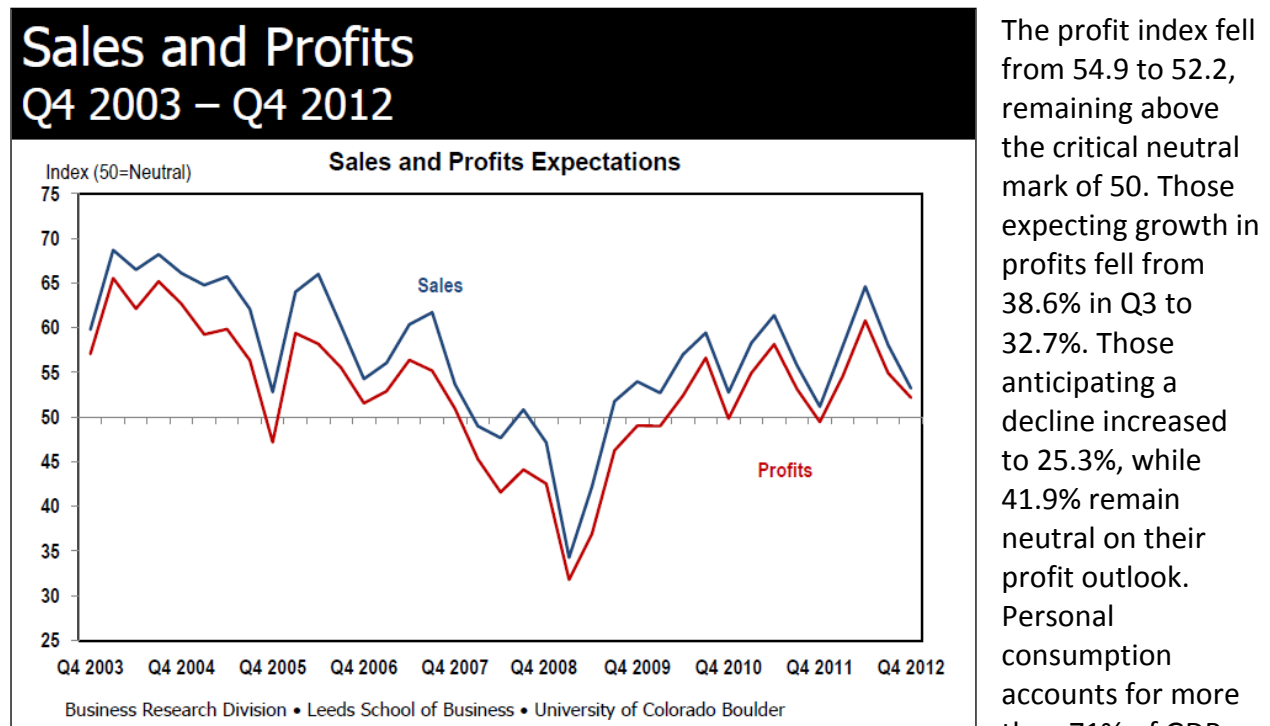
Economic data released during the third quarter muted Colorado business leaders’ expectations for the state and national economies. The Bureau of Economic Analysis reports U.S. real GDP expanded at an annual rate of 2.0% in Q1 2012 and 1.3% in Q2 2012, with the decline primarily caused by deceleration in the rates of personal consumption and business fixed investment. Projections for real GDP provided by the Congressional Budget Office stand at 2.25% for the latter half of 2012.

Seasonally adjusted month-over-month U.S. employment gains were recorded for the 23rd consecutive month in August. However, the data indicate slowing, with growth dropping from 141,000 jobs in July to just 96,000 in August. Colorado’s month-over-month gains totaled 2,900 in July, but no gains were recorded for August. Nationally, the Bureau of Labor Statistics (BLS) reported the Consumer Price Index for All Urban Consumers rose 1.7% year-over-year in August, while core inflation was up 1.9% for the same period. Consumer prices and inflation-adjusted consumption levels are expected to grow at 2.0% and 1.9%, respectively, in 2012.

Sales and Profits — Still Positive

Panelists' responses softened looking ahead to Q4, but nonetheless reveal continued positive expectations for sales and profits. The sales index recorded a reading of 53.2, and profits, 52.2—decreases from 58.1 and 54.9 in Q3, respectively.

The sales index, at 53.2, was buoyed by 34.6% of respondents who expect an increase in sales in Q4 versus only 23.0% who anticipate a decline. Roughly 42.4% remain neutral. Few are on the extreme tails of the scale, with 3.2% expecting strong increases and 1.8% strong decreases.



and consumer strength is a key indicator for future sales and profits. Consumption is affected by the jobs situation, and while the national unemployment rate declined to 8.1% in August, the decrease was largely due to people leaving the labor force and only slight gains in employment.

In Colorado, employment remained unchanged from July to August, but the statewide rate of unemployment dropped to 8.2%, again because of declining labor force. According to The Conference Board, the Consumer Confidence Index decreased from 65.4 in July to 60.6 in August for the nation, while the Mountain Region edged up from 63.6 in July to 65.5 in August.

Capital Expenditures and Hiring Plans — Moving in Tandem

The expectations for capital expenditures and hiring moderated for Q4, but remain positive. These two metrics move almost entirely in tandem, with slightly higher expectations for hiring this quarter.

Capital investment expectations measured 50.2, down from 52.6 in Q3. While panelists are mostly neutral (56.2%), 23.5% expect a boost in capital expenditures. The tails, strong increase and strong decrease, tilted negative at 2.8% and 5.1%, respectively.

Hiring expectations decreased from 53.7 in Q3 to 51.0 in Q4. More than half of the panelists are neutral on hiring (53.5%), while those expecting moderate to strong increases outweighed moderate to strong decreases, 26.7% to 19.8%.

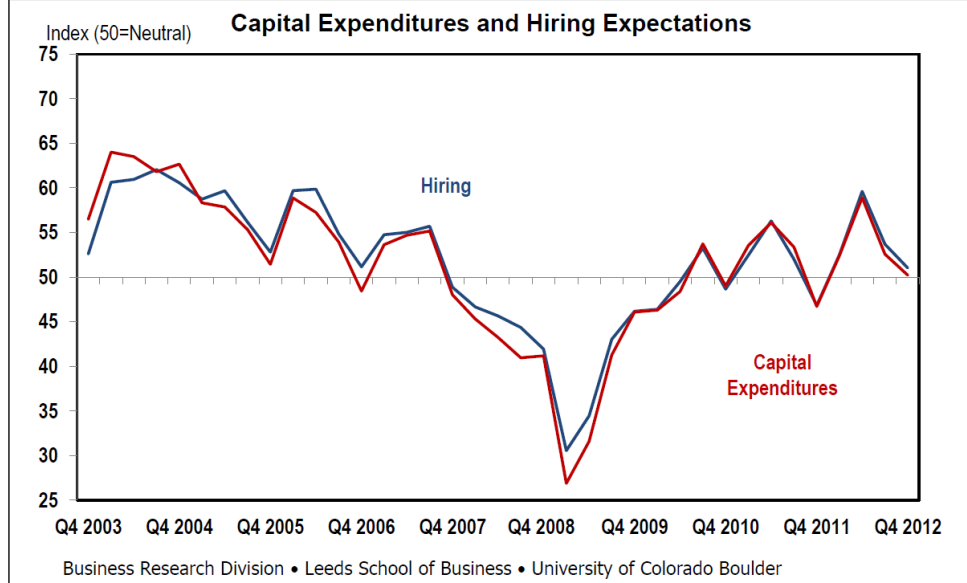
Despite month-to-month employment volatility, numbers from the BLS show Colorado turned the corner on jobs in September 2010. Following 24 months of year-over-year increases, employment in Colorado rose 1.5% in August.

While Colorado

employment figures vary greatly by industry and by metropolitan statistical area (MSA), all Colorado MSAs recorded year-over-year growth in August, except Colorado Springs, which declined 2.0%. Seasonally adjusted August employment figures showed the highest year-over-year growth rates in the Grand Junction (+4.0%), Boulder (+3.7%), and Denver-Aurora-Broomfield (+2.7%) MSAs. The Fort Collins-Loveland (+2.4%), Greeley (+2.3%), and Pueblo (+0.7%) MSAs also recorded year-over-year growth.

Statewide, the greatest employment gains year-over-year in August were in the Professional and Business Services (+9,500 jobs), Construction (+5,100 jobs), and Financial Activities (+4,600 jobs) sectors, while losses were recorded only in Information (-2,000 jobs). The Trade, Transportation, and Utilities, and Manufacturing sectors, while not adding a vast number of jobs, have been sources of sustained strength, at +3,600 and +2,500 jobs year-over-year in August, respectively.

Capital Expenditures and Hiring Q4 2003 – Q4 2012

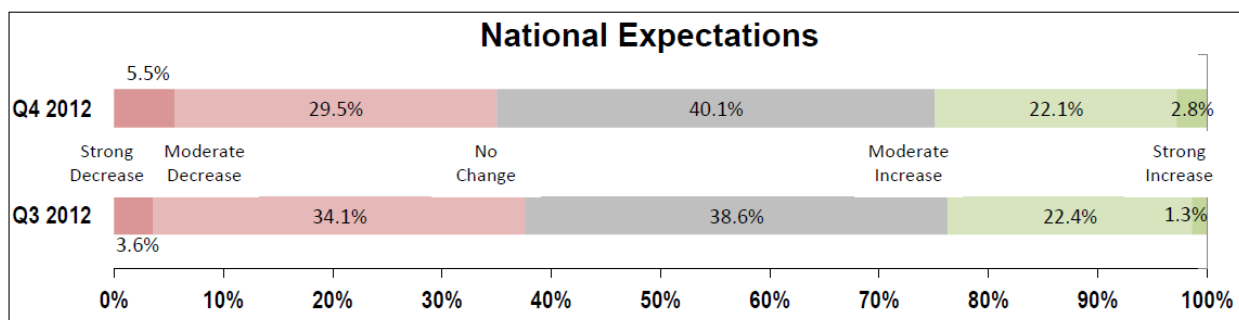
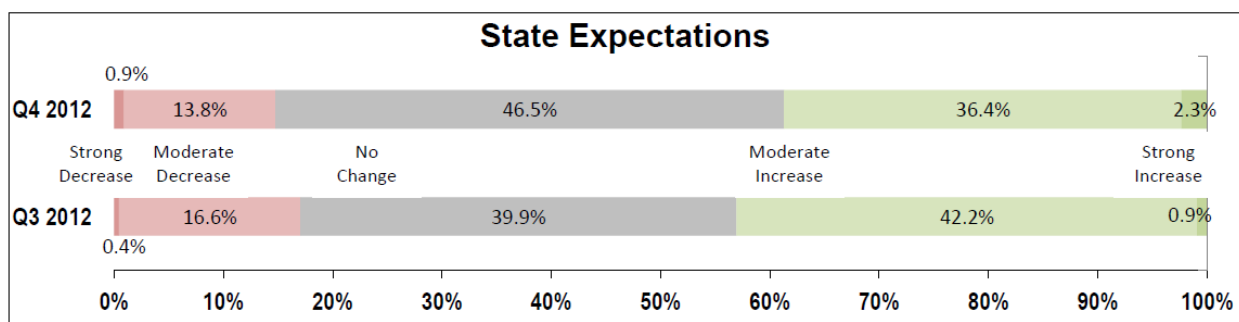


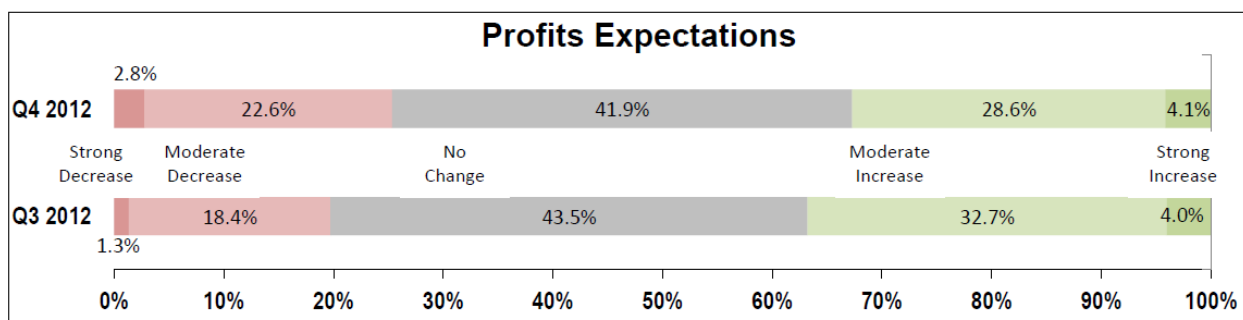
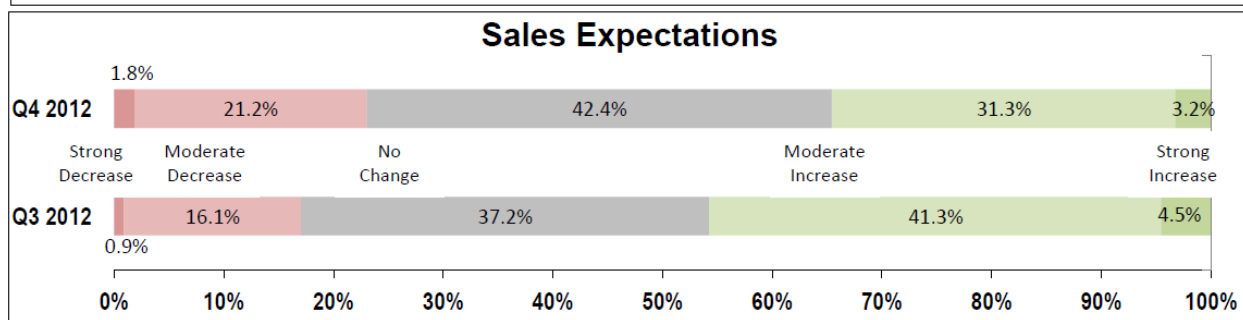
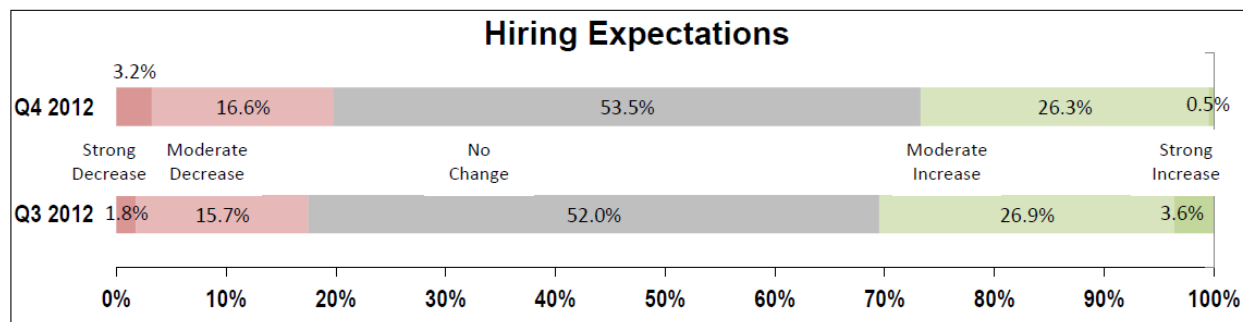
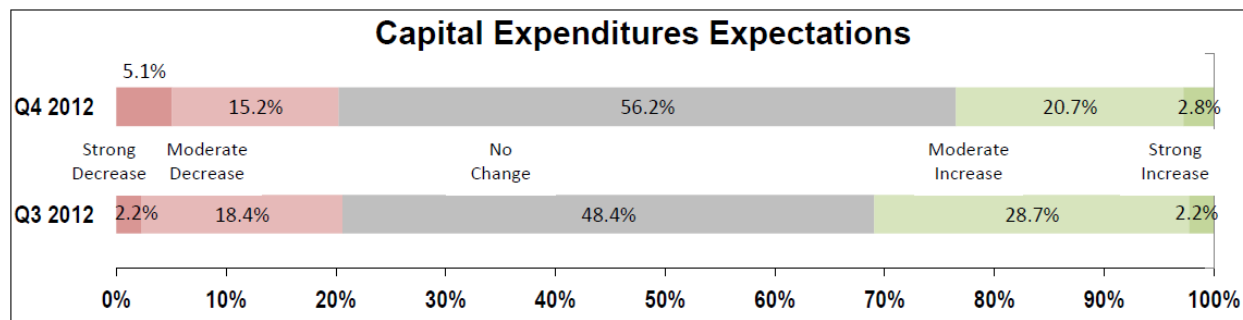
Additional Survey Results — Presidential Politics and the Fiscal Cliff

Panelists were asked how the upcoming presidential election may affect their business decisions. Out of 217 respondents, 153 offered comments. The most frequent response was a “wait and see” approach, with 54 respondents stating that major investment and hiring decisions are on hold until after the election. Interestingly, 43 respondents stated that the election has virtually no effect on their business decisions, while the same number also said that broader regulatory and political uncertainty has contributed to hesitation and negativity regarding their business outlook. The most frequently cited issues under this umbrella of uncertainty were taxes, the federal debt, and the implementation of the Affordable Care Act. Last, as expected, a few respondents expressed support for each of the presidential candidates, stating that the outcome of the election could significantly affect their business outlook for better or for worse.

Additionally, panelists were asked whether they expect the impending “fiscal cliff” facing Congress to impact their businesses. An overwhelming 75.0% of the 216 respondents answered “yes.” When asked to comment further on how the fiscal cliff might affect their businesses, 149 panelists responded. Among those, more than half (88) stated that the drastic cuts and tax increases would negatively impact business in terms of hiring and investment decisions, consumption, and government funding for contracts in the event that Congress does not act to prevent the fiscal cliff from being realized. Another 47 respondents provided that ongoing political uncertainty makes it difficult to determine how acts of Congress will impact their business. Overall, these additional survey questions illustrate that many of Colorado’s business leaders are cautious regarding the country’s general economic environment as politics continue to add uncertainty to the already tedious recovery.

Distribution of Expectations





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For more information about the LBCI and to become a panelist, go to:

<http://leeds.colorado.edu/brd#leedsbusinessconfidenceindex>