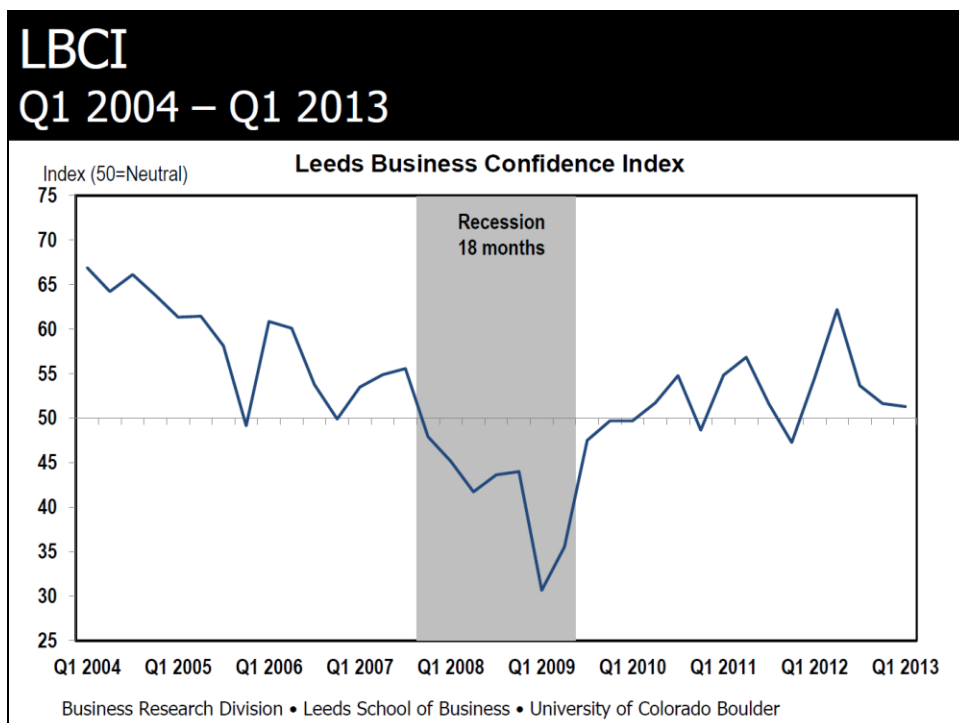


### Overview — Positive Outlook Remains

While Colorado business leaders' expectations going into Q1 2013 are mixed as uncertainty surrounding the country's political and economic environment continues to pose challenges, optimism prevailed. 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 fell slightly, from 51.6 in Q4 2012 to 51.3 in Q1 2013, yet remained positive.

Expectations stayed positive (above 50) for all metrics except the national economy and industry hiring plans. Compared to the Q4 2012 survey, the Q1 survey respondents' confidence improved for sales expectations and barely ticked up for the national economy. The outlook for the state economy, profits, capital expenditures, and hiring all lost ground compared to Q4 2012. The ongoing differential between the state and the nation narrowed in Q1, to 8.6, indicating that Colorado business leaders still have greater confidence in the local economy than the national economy.

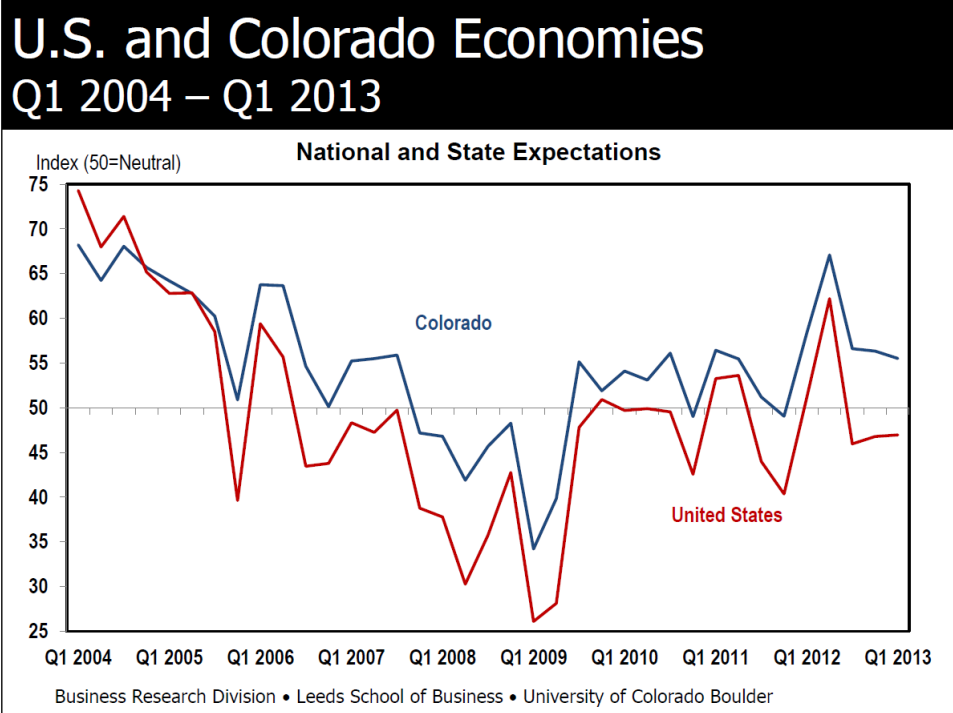
The Q1 index casts a shadow on the optimism of the previous year as the index remains barely positive. Overall, businesses are proceeding cautiously in the face of macroeconomic uncertainty. Looking ahead to Q1, month-over-month employment figures and jobless claims are pointing to a consistently improving labor market. However, drags on the economy persist—the European debt crisis, the rate of employment growth, and the resolution of the federal debt crisis.



## National and State Economies — Mixed Signals

Panelists have a mixed outlook for the national and state economies in Q1. Colorado is in positive territory, while the national outlook remains 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 fell to 55.5, despite strength in employment. Roughly 30% of respondents are neutral regarding the state economy, while 45.5% expect expansion (up from 38.7% in Q4). The gap between the two “tails” of the survey scale, strong increase and strong decrease, widened to 2.7% and 3.6%, respectively.



Confidence in the national economy increased modestly, 0.2 points, to 47, with pessimists outweighing optimists 38.7% to 33.8%. Roughly 27.5% of survey respondents remain neutral.

Economic data released during the fourth quarter suggest improving conditions. The Bureau of Economic Analysis (BEA) reports U.S. real GDP expanded at an annual rate of 1.3% in Q2 2012 and 2.7% in Q3 2012, with the improvement primarily caused by increases in residential investment and federal government expenditures. Projections for real GDP provided by the National Association for Business Economics stand at 2.2% for 2012 and 2.1% for 2013. Dampened expectations are likely due in part to concerns over the looming fiscal cliff, which will substantially cut the federal government component of GDP starting in January 2013. Additionally, the debt crisis plaguing eurozone countries may continue to weigh on U.S. exports and the world economy.

Seasonally adjusted month-over-month U.S. employment gains were recorded for the 26th consecutive month in November. The data indicate strength, with gains surpassing 100,000 in every month since July. Colorado’s month-over-month gains totaled 8,000 in November and 7,600 in October. Nationally, the Bureau of Labor Statistics (BLS) reported the Consumer Price Index for All Urban Consumers rose 1.8% year-over-year in November, 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 2013.

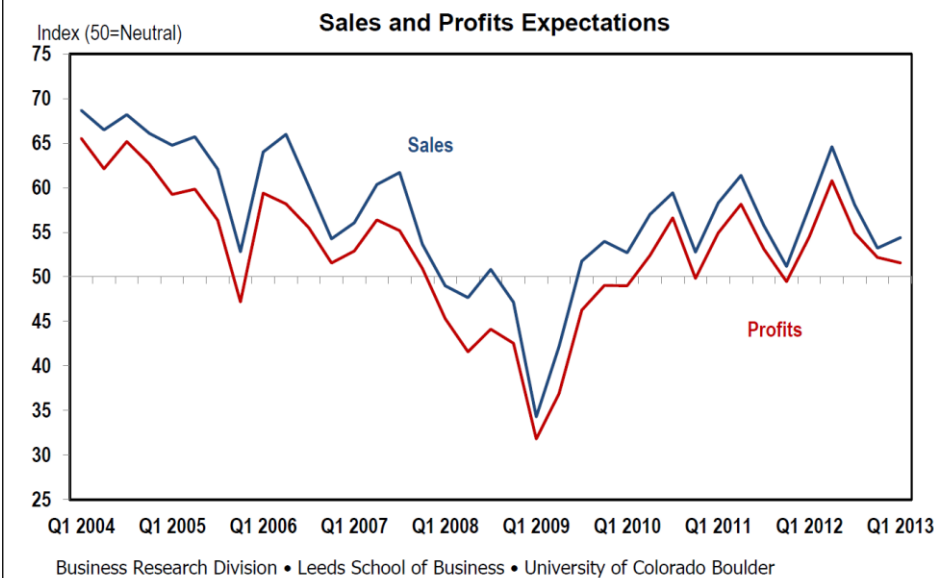
## Sales and Profits — Diverging Expectations

Panelists' responses diverged on sales and profits looking ahead to Q1, with sales expectations increasing and profits expectations decreasing. Despite the direction, expectations for both metrics remained in positive territory going into the New Year. The sales index recorded a reading of 54.4, and profits, 51.6—diverging from 53.2 and 52.2 in Q4, respectively.

The sales index, at 54.4, was buoyed by 44.1% of respondents who expect an increase in sales in Q1 versus only 25.2% who anticipate a decline. Nearly 31% remain neutral. Few are on the extreme tails of the scale, with 2.7% expecting strong increases and 4.1% strong decreases.

The profit index fell from 52.2 to 51.6, remaining above the critical neutral mark of 50. Those expecting growth in profits rose from 32.7% in Q4 to 37.8%. Those anticipating a decline increased to 28.8%, while one-third remain neutral on their profit outlook. Personal consumption accounts for more than 70% of GDP, and consumer strength is a key indicator for future sales and profits. Consumption is affected by the jobs situation, and while the national

### Sales and Profits Q1 2004 – Q1 2013



unemployment rate declined to 7.7% in November, the decrease was largely due to people leaving the labor force and only slight gains in employment.

In Colorado, employment increased in November, and the statewide rate of unemployment dropped to 7.7%. According to The Conference Board,

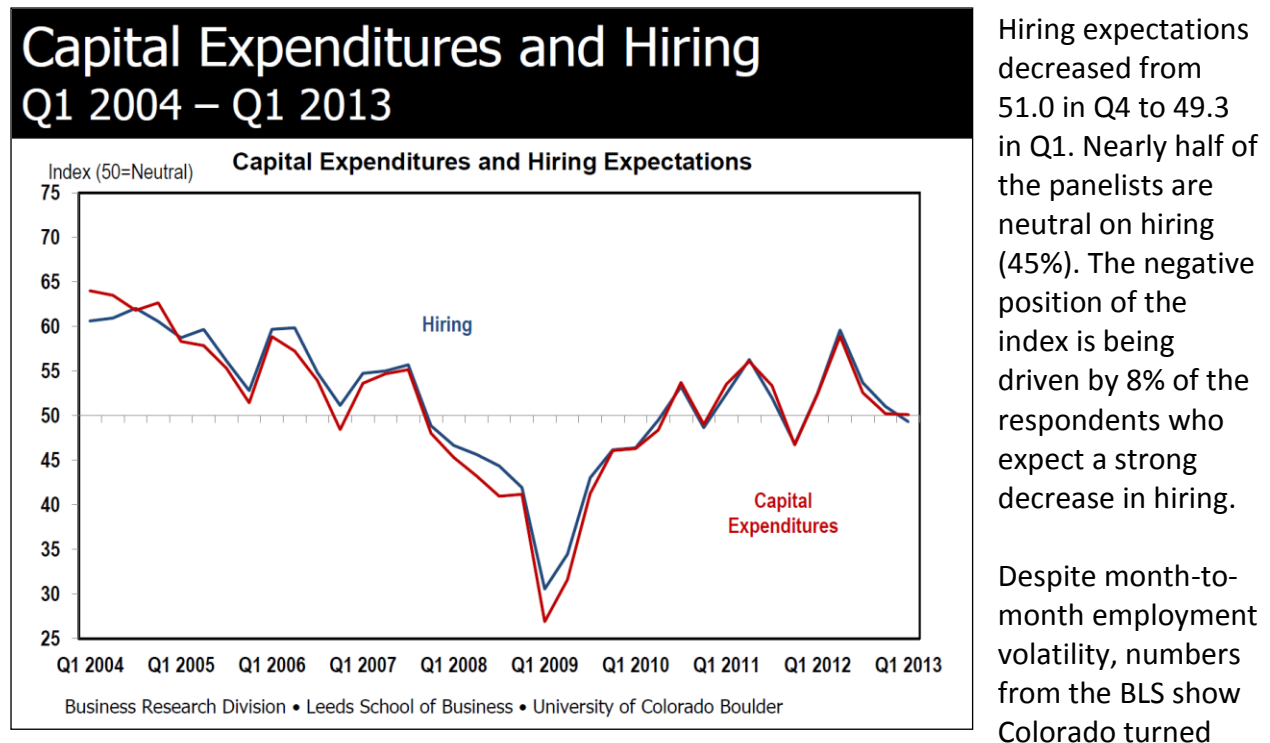
the Consumer Confidence Index increased from 73.1 in October to 73.7 in November for the nation, while the Mountain Region declined slightly, from 73.2 in October to 73.0 in November.

According to the BEA, personal income rose in all 366 of the nation's MSAs in 2011. In Q2 2012, personal income increased year-over-year in the United States and Colorado. Although home prices in the state remain 5.9% below the peak reached in Q1 2008, prices were up 2.0% in Q3 2012 from Q3 2011. In the labor market, employment gains in the state are projected to continue into 2013, and wages are showing similar progress. Retail sales in the state reached a new peak in August 2012, having surpassed the pre-recession high of May 2008.

## Capital Expenditures and Hiring Plans — Mixed Signals

The expectations for capital expenditures and hiring registered mixed signals going into 2013. While hiring plans slipped into negative territory, to 49.3, capital expenditures remain close to neutral at 50.1.

Capital investment expectations measured 50.1, nearly unchanged from Q4. While 39.2% of panelists are neutral, nearly 33% expect a boost in capital expenditures. The tails, strong increase and strong decrease, tilted negative at 3.2% and 7.7%, respectively.

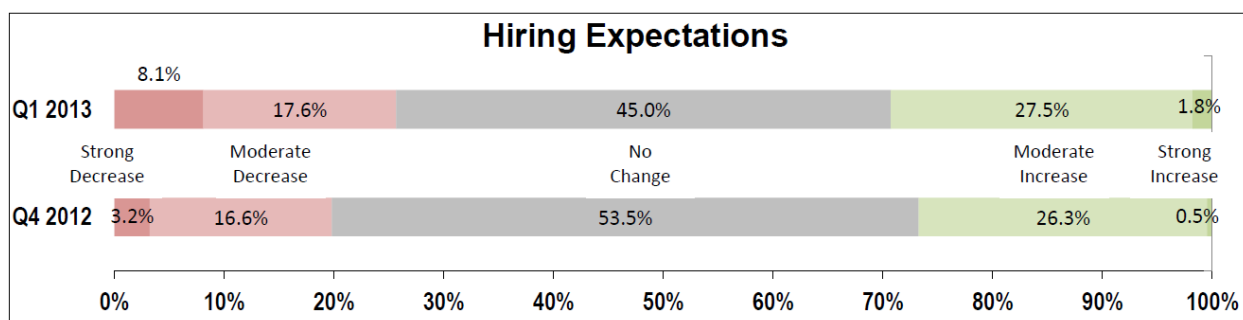
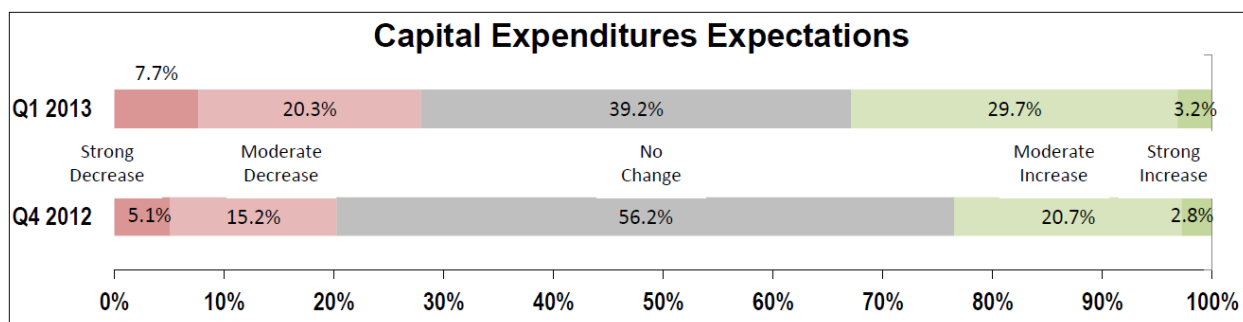
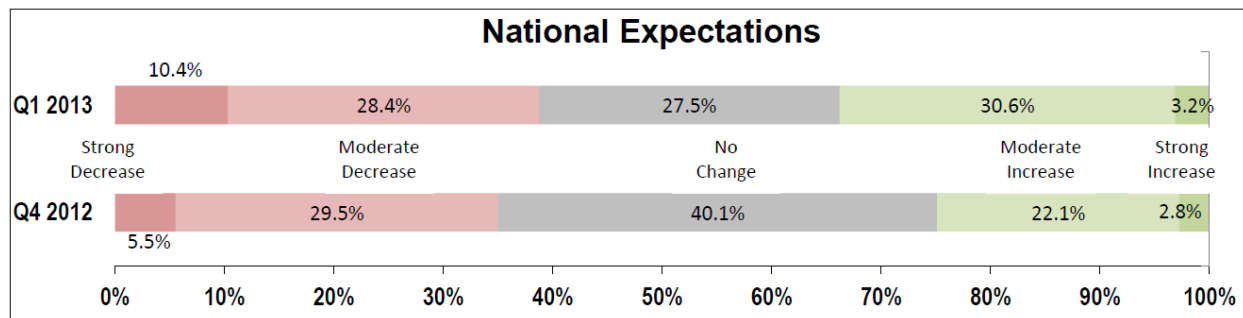
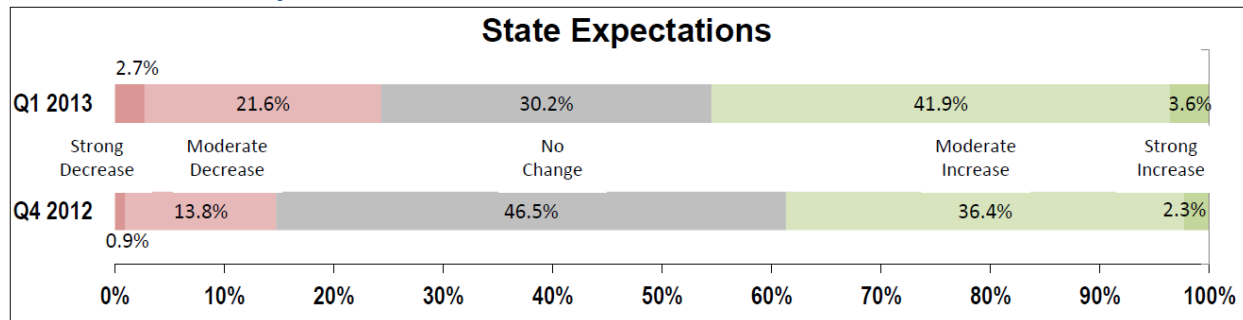


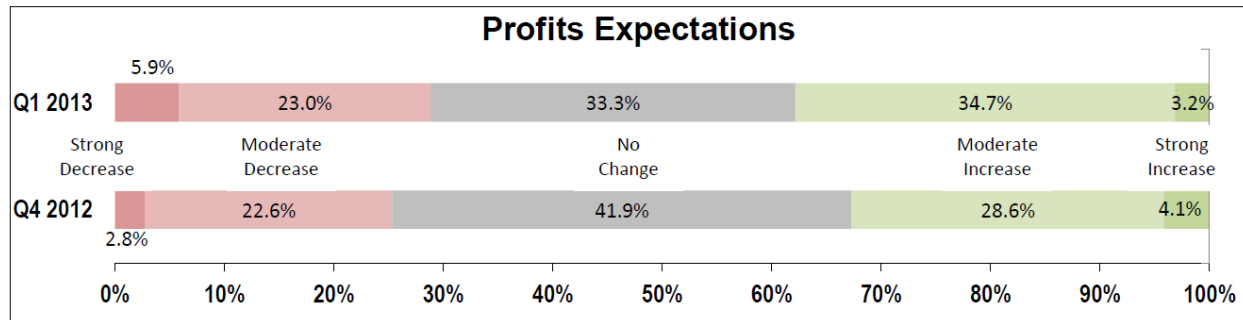
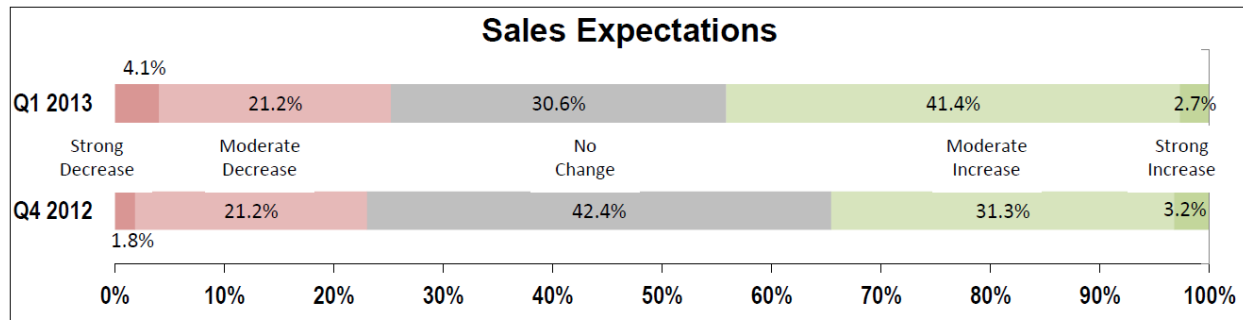
the corner on jobs in September 2010. Following 26 months of year-over-year increases, employment in Colorado rose 2.3% in November.

While Colorado employment figures vary greatly by industry and by metropolitan statistical area (MSA), nearly all of Colorado MSAs recorded year-over-year growth in November, except Colorado Springs, which declined 1.2%. Seasonally adjusted November employment figures showed the highest year-over-year growth rates in the Fort Collins-Loveland (+4.0%), Boulder (+3.6%), and Denver-Aurora-Broomfield (+3%) MSAs. The Grand Junction (+2.7%), Pueblo (+1.4%), and Greeley (+1.1%) MSAs also recorded year-over-year growth.

Statewide, the greatest employment gains year-over-year in November were in the Professional and Business Services (+10,900 jobs), Leisure and Hospitality (+9,100 jobs), and Education and Health Services (+8,400), while losses were recorded only in Information (-2,800 jobs).

## 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>