

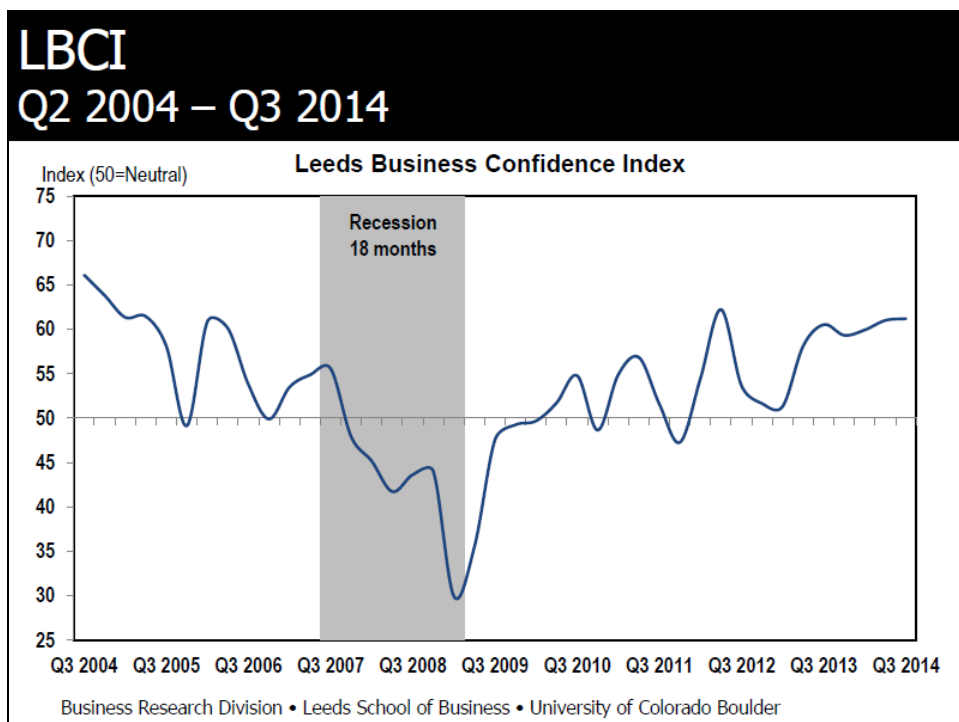
**PRESS EMBARGO UNTIL 6:00 a.m., July 2, 2014**

### Overview — Steady Outlook for Q3

Colorado business leaders' expectations going into Q3 2014 remain positive, inching higher for the next quarter. 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 increased slightly, from 61 in Q2 2014 to 61.2 in Q3 2014—an indication of stability. There were 345 panelist responses to the Q3 2014 survey.

Expectations continue to stay in positive territory (above 50) for all metrics. Compared to the Q2 2014 survey, Q3 survey respondents' confidence was nearly flat for all metrics, with the greatest increase in capital expenditures expectations (up 1 point) and the greatest decrease in the state economic outlook (down 0.8 points). The ongoing differential between the state and the nation showed a slight decrease, but still indicates that Colorado business leaders have greater confidence in the state economy than the national economy. This perception is grounded in the reality that Colorado *is* outperforming the nation overall, with faster growth in employment, income, and GDP, as well as lower unemployment.

Respondents' continued confidence in Q3 represents 11 consecutive quarters of positive expectations. This confidence coincides with positive signals from the market—increasing home prices, employment gains, and rebounding household wages, as well as falling foreclosure rates.



## National and State Economies — Positive Despite GDP

Respondents have a positive outlook for the national and state economies in Q3 2014. Confidence in the state economy dropped slightly (0.8 points), while confidence in the nation remained unchanged. Optimism about the local economy continues to outstrip that for the nation—a 37-quarter trend in the index.

Confidence in the state economy slipped from 66.7 to 65.9 in Q3 2014. Nearly 63% expect the state economy to expand, and 31.6% of respondents are neutral. The gap between the two “tails” of the survey scale, strong increase and strong decrease, grew in Q3, to 6.6% and 0.3%, respectively.

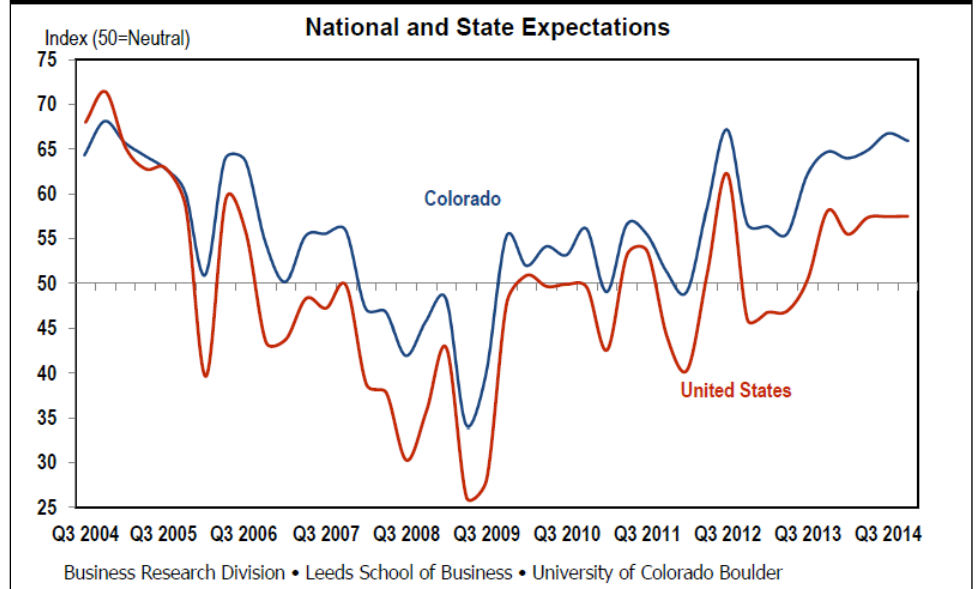
Confidence in the national economy remained steady at 57.4 from Q2 to Q3 2014. Optimists continue to outweigh pessimists, 43.8% to 15%. Roughly 41% of survey respondents remain neutral.

The Bureau of Economic Analysis (BEA) reported U.S. real GDP fell at an annual rate of 1.0% in Q1 2014 for reasons that included declines in private inventories investment, exports, and nonresidential and residential fixed investment, and in state and local government spending. Severe weather hampered some of the growth but several areas of concern were not weather related. However, June projections for annual average real GDP provided by the National Association for Business

Economics stood at 3.5% for Q2 and 3.1% for Q3. These survey expectations were strong due to some of the pent-up demand shifting from Q1 to Q2.

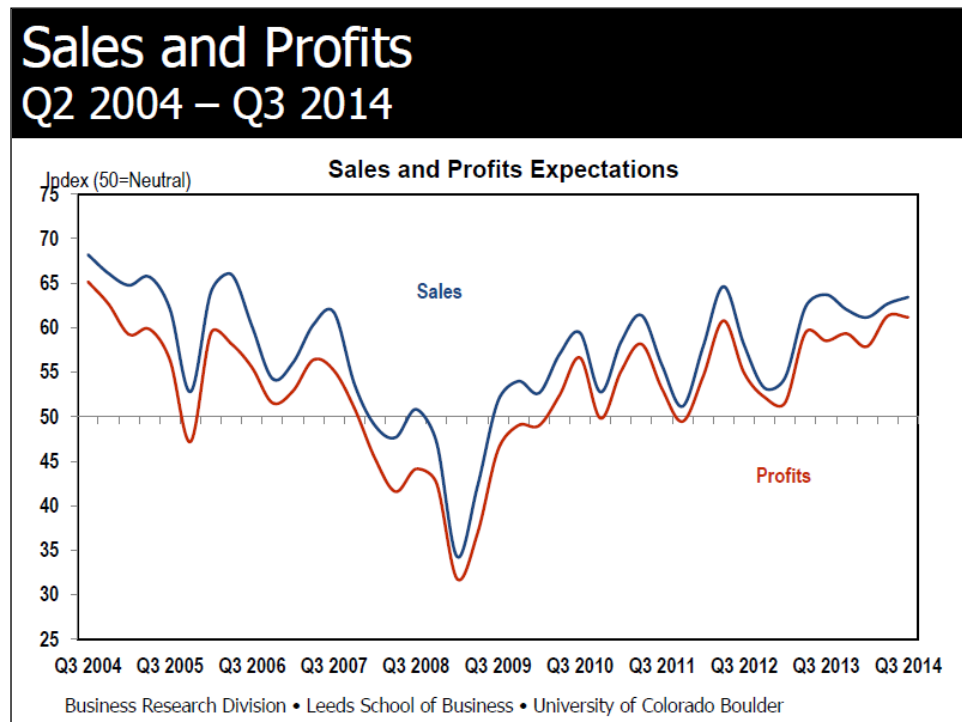
Seasonally adjusted month-over-month U.S. employment gains were recorded for the 44th-consecutive month in May, increasing 217,000 jobs. The data indicate accelerating growth. In 2010, job gains increased on average 88,000 per month. This number increased to 174,000 in 2011, 186,000 in 2012, 194,000 in 2013, and 214,000 for the first five months of 2014. In May 2014, the United States fully recouped jobs lost during the recession. Colorado’s month-over-month gains totaled 9,100 in May 2014 and averaged a gain of 7,800 in 2013. Nationally, the Bureau of Labor Statistics (BLS) reported the Consumer Price Index for All Urban Consumers rose 2.0% year-over-year in May while core inflation was up 1.8% for the same period.

## U.S. and Colorado Economies Q2 2004 – Q3 2014



## Sales and Profits — Slightly Divergent

The sales and profits expectations remained notably positive ahead of Q3. Sales expectations notched up, while profits expectations slipped slightly. Expectations for both metrics remain well in the positive territory moving into Q3; the sales index recorded a reading of 63.4, and profits, 61.2.



The positive sales index was sustained by the 60.3% of respondents who anticipate an increase in sales in Q3 versus only 9.7% who expect a decline; 30% are neutral. Of the respondents on the extreme tails, 4.4% expect strong increases and 1.3% anticipate strong decreases.

The profit index was virtually flat,

decreasing from slightly from 61.3 in Q2 2014 to 61.2 going into Q3. Those expecting growth in profits (53.8%) outweighed those anticipating declines (12.8%), and 33.4% remained neutral.

Real GDP for Colorado increased 3.8% in 2013 while the national growth rate was 1.9%. The May seasonally adjusted unemployment rate remained at 6.3% for the United States and fell to 5.8% in Colorado. According to the BEA, personal income in the state rose 3.4% in 2013, ranking the state sixth nationally for percent change from 2012. Home prices in the Colorado rose 7% year-over-year in Q1 2014 according to the FHFA all-transactions index. Retail sales continue to record strong growth, with statewide retail sales up 3.2% and taxable sales up 8.2% for the month of February 2014 year-over-year.

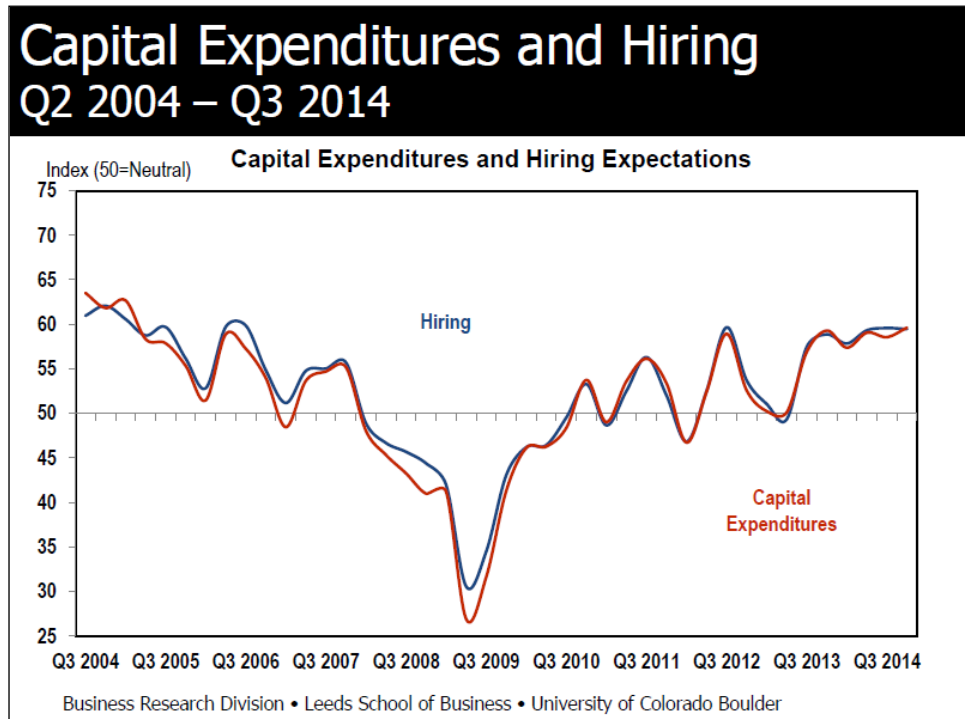
## Capital Expenditures and Hiring Plans — Ready to Invest

Ongoing positive expectations for capital expenditures and hiring demonstrate readiness to invest in capital. The expectations for capital expenditures increased, while hiring expectations slipped slightly.

Capital investment expectations measured 59.6, an increase from 58.6 in Q2 2014. While 46.4% of respondents are neutral, 43.2% expect a boost in capital expenditures. The tails, strong increase and strong decrease, tilted positive at 3.8% and 2.2%, respectively.

Hiring expectations decreased from 59.6 in Q2 to 59.5 in Q3. Approximately 44.7% of respondents are neutral on hiring, and 45.9% are positive.

Employment in Colorado has recorded 43 months of year-over-year growth. After revisions, Colorado employment increased 68,100 jobs, or 2.9%, in 2013, making it the best growth year since 2000. The state is now 3.1% above the prerecession employment peak. The 2014 Colorado Business Economic



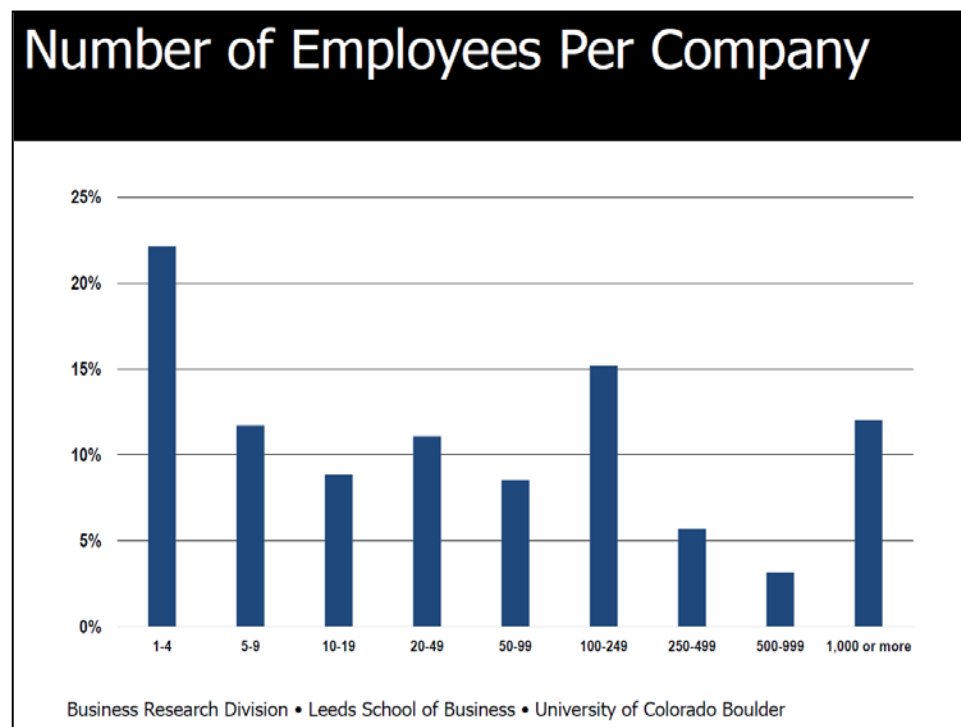
Outlook projects growth to slow to 2.6% in 2014. Data from Moody's Economy.com pegs Colorado growth fifth nationally in 2014 and third in 2015.

While Colorado employment figures vary greatly by industry and by metropolitan statistical area (MSA), all of Colorado MSAs recorded year-over-year growth in May. Seasonally adjusted May employment figures showed the highest year-over-year growth rates in the Greeley (5.3%), Boulder (3.2%), and Fort Collins-Loveland (2.9%) metropolitan statistical areas. Growth was also recorded in Denver-Aurora-Broomfield (2.8%), Pueblo (1.5%), Grand Junction (1.3%), and Colorado Springs (0.4%). The Colorado Springs and Grand Junction MSAs remain the only two MSAs in Colorado that have not regained prerecession employment levels.

Statewide, the greatest employment gains year-over-year in May were in the Mining and Logging, Construction, and Leisure and Hospitality Services industries.

## About the Panel — Company Size and Length of Time in Business

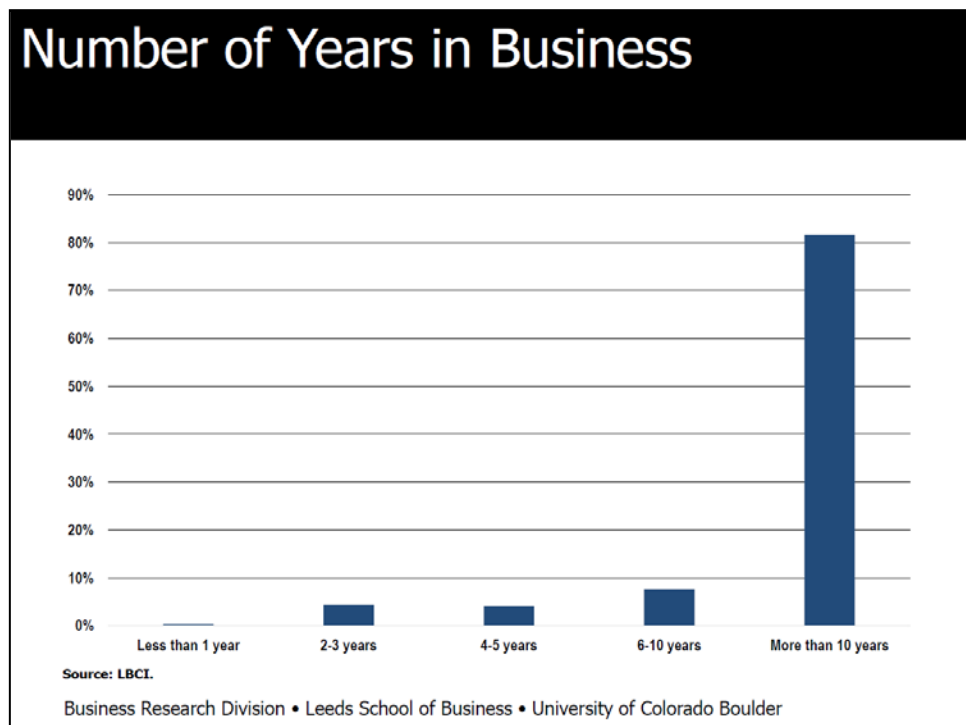
Panelists were asked two additional questions, one about the size of their company and the other about how long their company has been in business. More than half (53.8%) of survey



respondents work for companies with fewer than 50 employees, and 44.7% work for companies with 50 or more employees (the remainder did not specify). The three largest groups were represented by companies with 1–4 employees (22.7%), 100–249 employees (15.2%), and 1,000 or more employees (12%).

Both small employers' and large employers' expectations ticked up slightly ahead of Q3. While still resonating well above the neutral threshold, small employers (fewer than 50 employees) were notably less optimistic than large employers. The overall index for small employers rested at 58.8 versus 64 for large employers.

The greatest disparity existed in hiring and capital expenditures expectations—which are presumably a bigger relative commitment on behalf of small firms. However, expectations for the state and national economy were also lower for small businesses.

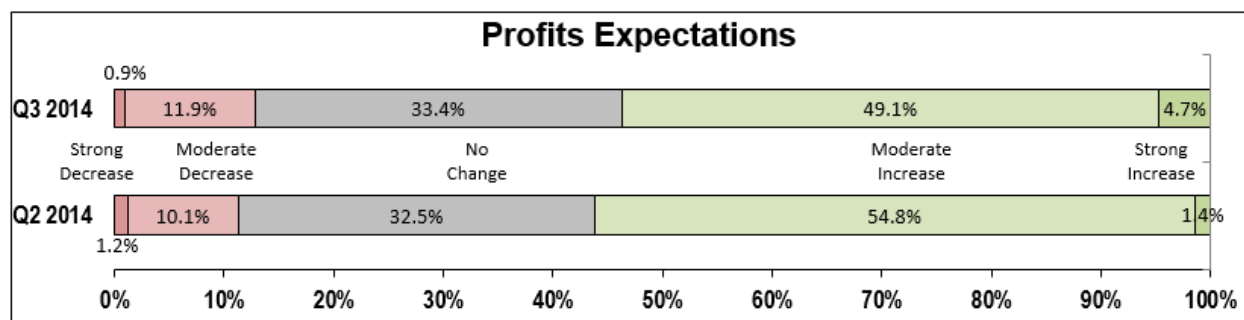
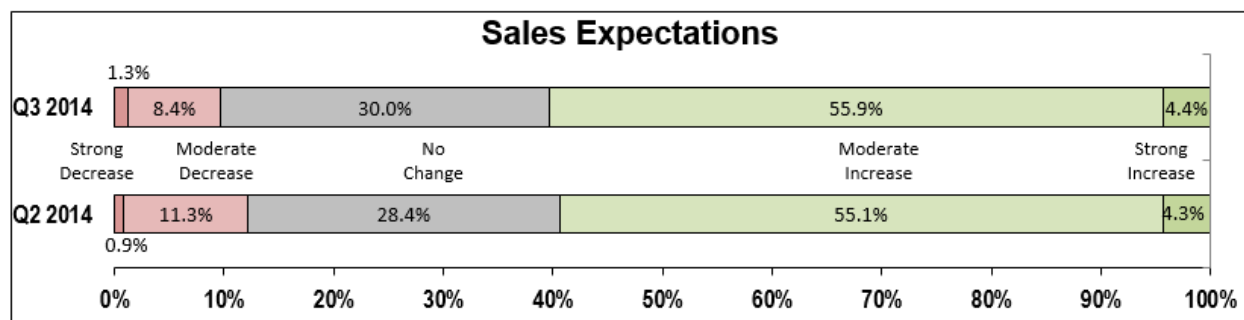
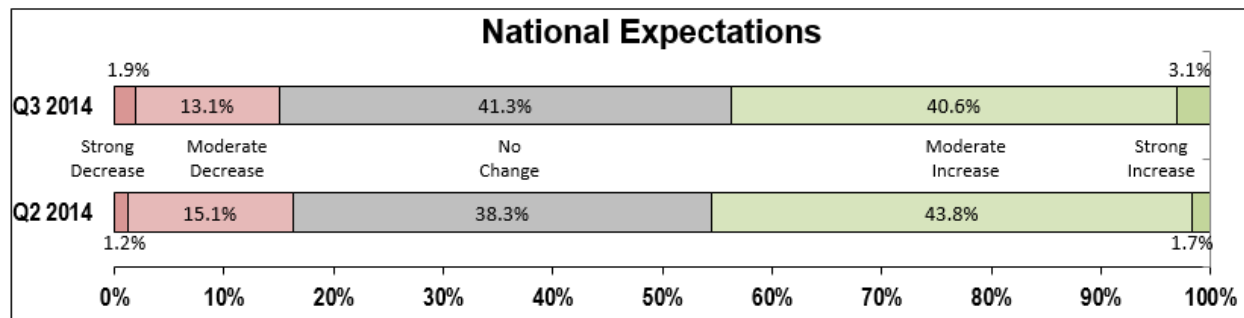
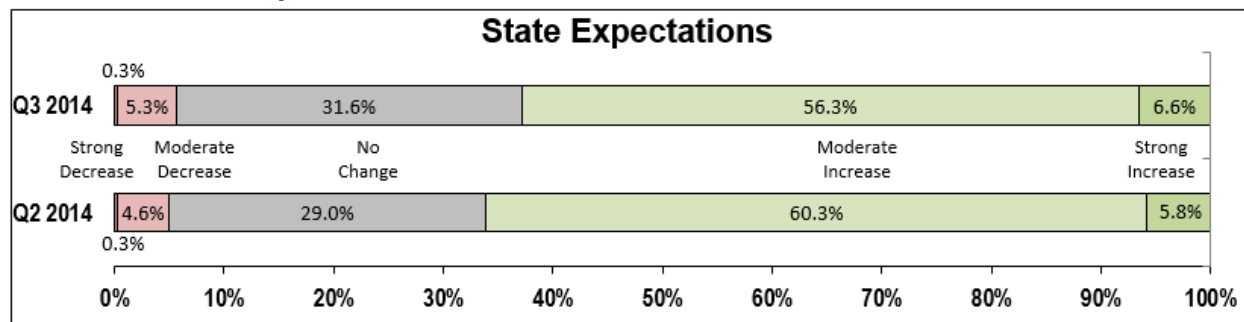


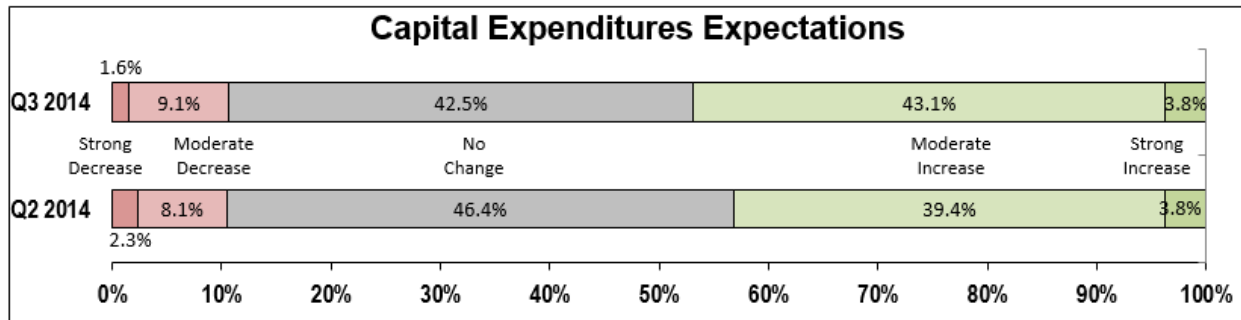
More than three-quarters (81.6%) of survey respondents work at a company that has been in business for more than 10 years.

The index by firm tenure (how long they have been in business) was nearly equal for firms in business less than 10 years (61.3) and firms in business longer than 10 years (61.2). Older businesses were more optimistic about the state economy, sales, and hiring expectations.

While responding panelists represented nearly every industry in the state, most respondents to the Q3 survey represented three sectors: Professional and Technical Services (38.4%), Finance and Insurance (27.9%), and Real Estate and Rental and Leasing (17.4%).

## 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>