College of Business and Administration
University of Colorado at Colorado Springs
1420 Austin Bluffs Parkway, PO Box 7150, Colorado Springs, CO 80933-7150

University of Colorado at Colorado Springs

Quarterly Updates and Estimates

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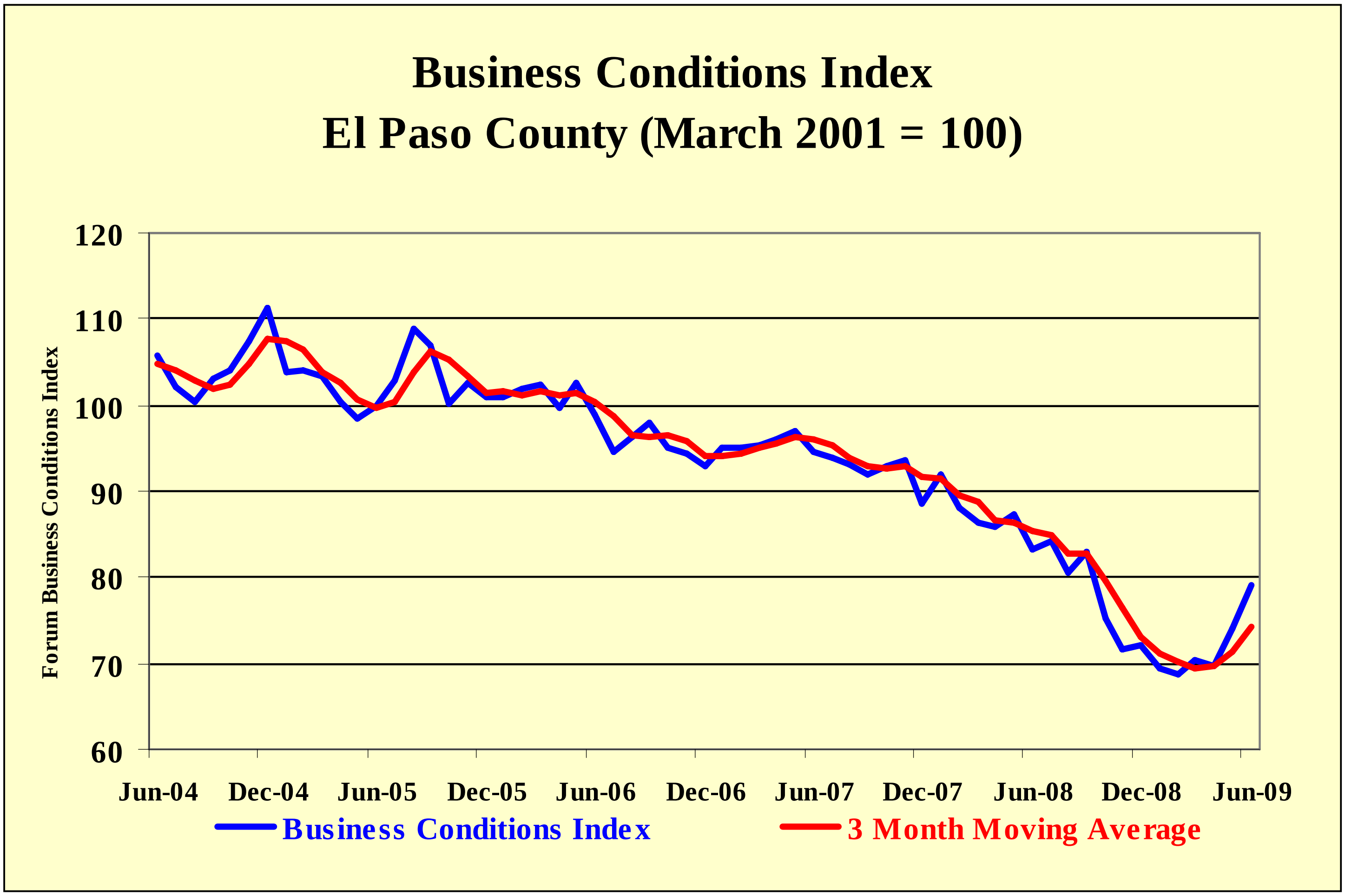
Fred Crowley - Senior Economist

Update on the El Paso County Economy

The April 2009 *QUE* reported that the local economy bottomed out in the 4th quarter of 2008 and that the initial trend in the 1st quarter of 2009 appeared to suggest a recovery was beginning to emerge. Support for that initial observation has gained strength in the last few months. The Business Conditions Index (BCI) now stands at 79.09, up from its March value of 70.4. This is a 12.35% improvement since March. The bottoming of the BCI and significant improvement in several local indicators since March suggests ***the Colorado Springs economy is probably out of its recession.***



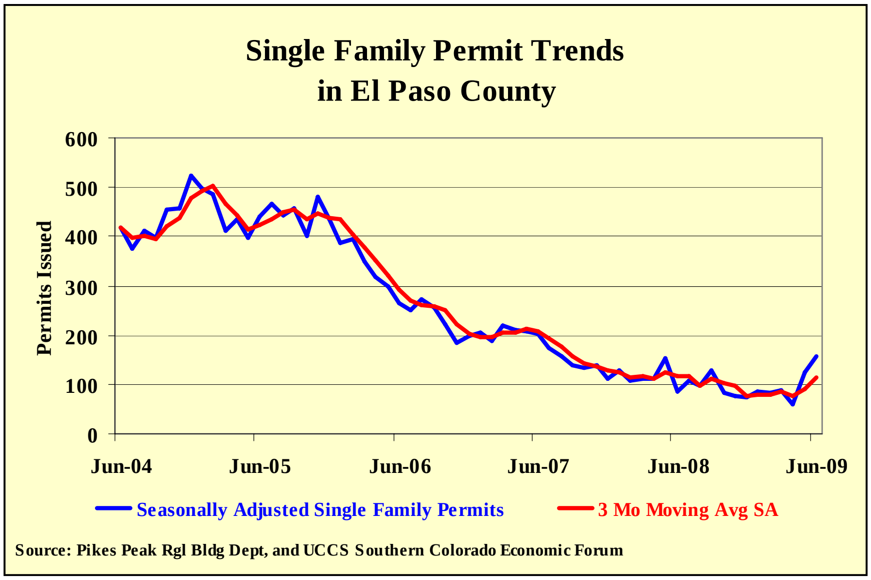
[1] The Business Conditions Index (BCI) is a geometric index of ten seasonally adjusted data series. The El Paso County data are single family and town home permits, new car sales, employment rate, foreclosures, ES202 employment and ES202 wages and salaries. Colorado Springs data are sales and use tax collections and airport enplanements. University of Michigan's Consumer Sentiment and the Federal Reserve Bank of Kansas City Manufacturing Index are non-local indicator in the BCI. The BCI is indexed to March 2001 = 100. All raw series are seasonally adjusted by UCCS Southern Colorado Economic Forum using the Department of Commerce X12 adjustment process.

Table 1: Business Conditions Index Components - All Values Indexed to Mar 2001 = 100											
	COS Enplane-ments	El Paso County SF & TH Permits	U Of Mich Con Sent	Kansas City Fed Mfg Index	El Paso *Employ-ment* Rate	Colorado Springs 2% Sales & Use Tax	El Paso County Car Sales	El Paso County Fore-closures	El Paso County Employed	El Paso County Real Wages	BCI
Mar-08	90.14	28.74	75.77	138.27	98.03	104.12	71.00	97.98	113.08	104.84	86.28
Apr-08	87.24	28.47	68.75	149.48	98.09	101.79	77.40	98.05	112.65	99.33	85.81
May-08	93.34	36.69	65.54	152.09	97.80	101.78	69.90	98.42	111.47	99.10	87.34
Jun-08	85.60	23.83	60.49	147.61	97.84	110.33	76.72	97.59	109.16	98.12	83.13
Jul-08	81.95	30.58	66.09	169.28	97.70	93.81	66.92	98.13	108.40	98.57	84.26
Aug-08	84.91	20.03	68.98	146.49	97.50	103.75	63.75	98.99	108.27	98.33	80.68
Sep-08	80.47	28.26	78.38	125.56	97.40	99.18	67.86	98.94	108.36	98.03	82.95
Oct-08	86.28	17.50	65.90	99.03	96.94	93.25	58.64	97.92	108.16	104.58	75.20
Nov-08	79.98	17.29	61.41	75.11	96.96	94.39	54.56	98.21	108.47	103.65	71.55
Dec-08	79.57	16.87	66.14	76.98	96.33	91.51	57.98	98.26	107.59	102.44	72.08
Jan-09	79.02	17.92	65.64	62.78	95.88	89.24	49.03	98.17	107.00	101.30	69.44
Feb-09	78.56	17.71	61.71	59.79	95.18	90.86	50.03	97.78	106.68	100.24	68.64
Mar-09	87.83	17.50	62.31	64.65	95.13	98.11	49.99	97.94	106.14	99.58	70.40
Apr-09	87.24	12.44	71.50	78.10	94.97	92.01	49.08	97.74	107.69	98.33	69.66
May-09	80.54	25.94	75.30	90.06	94.98	87.36	41.19	97.83	106.37	97.28	73.97
Jun-09	80.15	32.26	75.93	106.13	95.80	94.46	51.77	98.18	104.00	96.09	79.09
June 2009 Compared to:											
May-09	-0.49%	24.39%	0.84%	17.84%	0.86%	8.12%	25.67%	0.36%	-2.23%	-1.22%	6.93%
Mar-09	-8.74%	84.34%	21.87%	64.16%	0.70%	-3.73%	3.57%	0.25%	-2.01%	-3.50%	12.35%
Dec-08	0.73%	91.25%	14.81%	37.86%	-0.56%	3.22%	-10.72%	-0.08%	-3.34%	-6.20%	9.73%
Jun-08	-6.37%	35.40%	25.53%	-28.10%	-2.09%	-14.38%	-32.52%	0.61%	-4.73%	-2.07%	-4.86%
Real wages in El Paso County are estimated by the Forum for the period Jan '09 through Jun '09											

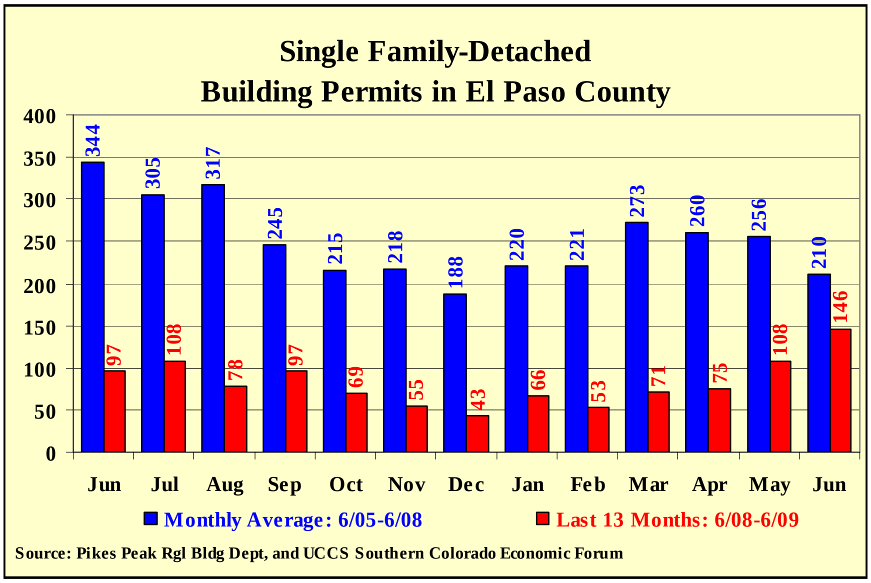
The most important measure of the area's economic health might be employment. Since employment tends to lag the business cycle, the Forum expects this barometer of the economy will be slow in its recovery. Real wages are expected to be stable for several more months. Building permits normally begin to slow in the late summer. Car sales are expected to rebound sharply in July and August due to the Cash for Clunkers (CARS) program. Car sales are expected to be a little stronger with the introduction of the 2010 model year cars. Sales tax should see a spike from the new troops at Fort Carson and the Cash for Clunkers program (CARS) before a relative decline in the late third quarter. Please see the January 2009 issue of the *QUE* for a discussion of the military's effect on the local economy (http://www.southerncoloradoeconomicforum.com/). Enplanement activity is expected to show weakness due to poor tourism levels and a slow economy. Foreclosures, while still high, are beginning to decline. Consumer sentiment is expected to improve gradually over the next several months.. The collective assessment of the indicators is they will be stable to slightly higher. As a result, the BCI will show a slight increase in the next several months. While some nominal variations around the emerging trend are expected, the Forum does not expect the economy will deteriorate beyond its current position.

Analysis of the El Paso County Residential Housing Market

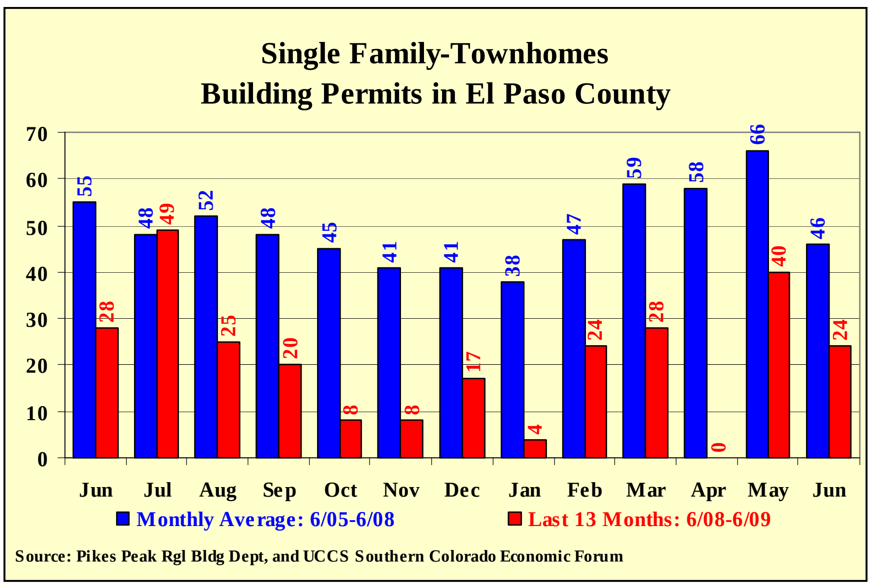
The Forum noted the near bottoming of single family permit activity from November 2008 through March 2009. Current evidence continues to support the earlier observations. Permit activity has increased noticeably. Additional gains are expected to be modest over the second half of the year.



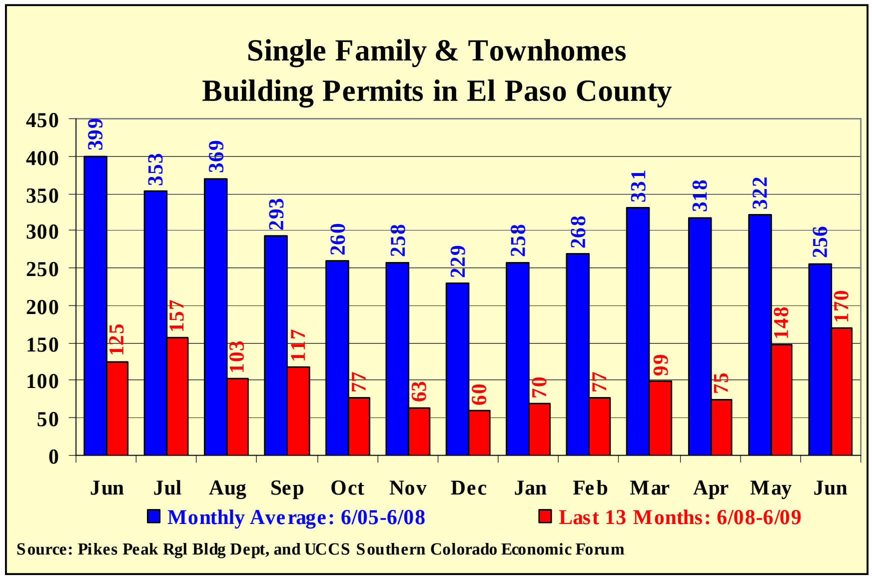
Permit activity remains significantly below its past average. The number of permits is approximately 45 percent higher than the next highest month over the last year. June recorded the second highest number of single family, detached, permits since September 2007.



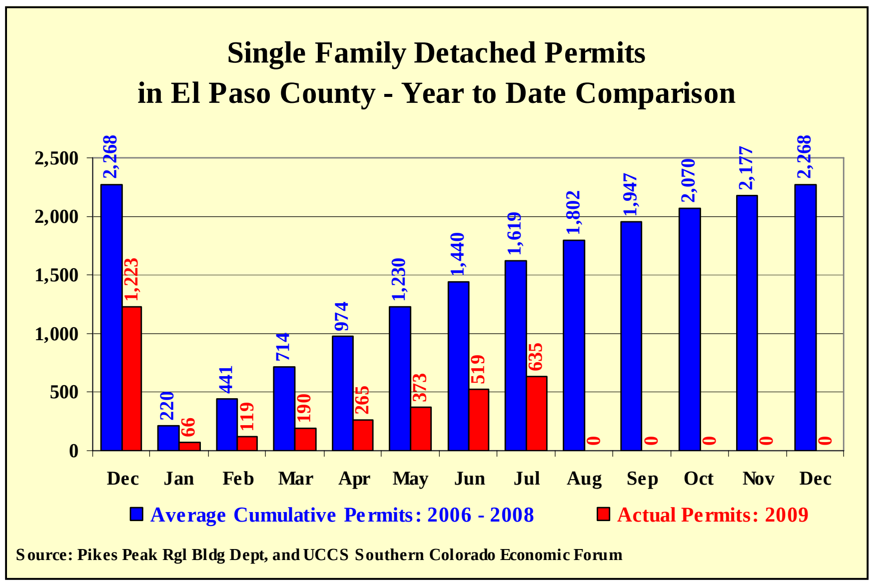
Townhome permit activity has tended to be more volatile than detached single family permits. Weakness in townhome permit activity continues to characterize this less expensive form of home ownership in the county. Townhome permit activity is well below its past average.



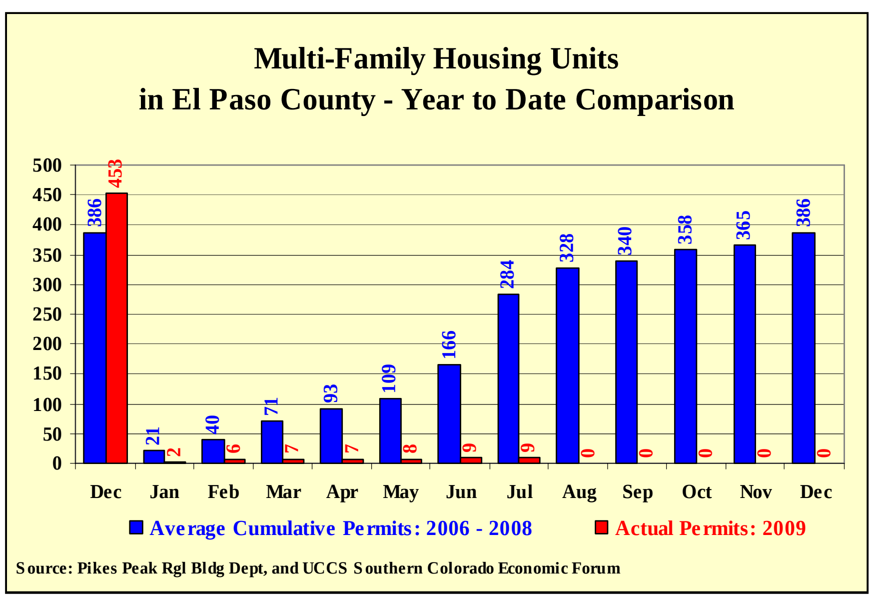
Compared to the last several years, the most recent thirteen months of private residential building activity have remained weak. The normal rise in activity in the late spring to early summer appears to be present in 2009. A modest non-seasonally adjusted upturn can be seen in the accompanying chart. Some of the improvement is probably due to the $8,000 first time home buyer credit. This helped reduce the inventory of downstream, entry level housing. This is reducing contingency clauses on some new home contracts. This benefit is expected to run its course in the coming quarter.



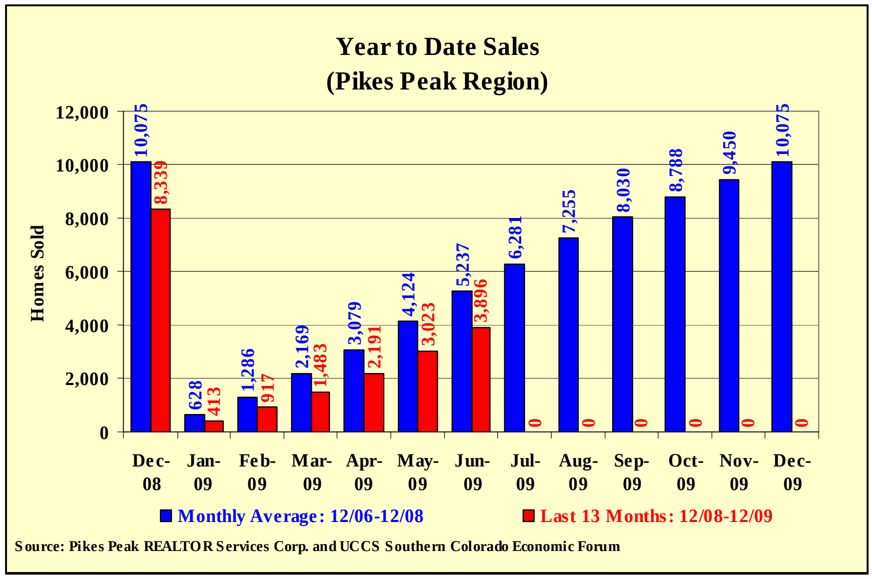
Compared to their past year to date levels, cumulative single family permits continue to be well below their past average. The anticipated improvements in the local housing market are expected to add strength to this indicator. Additional gains are expected in the second half of 2009.



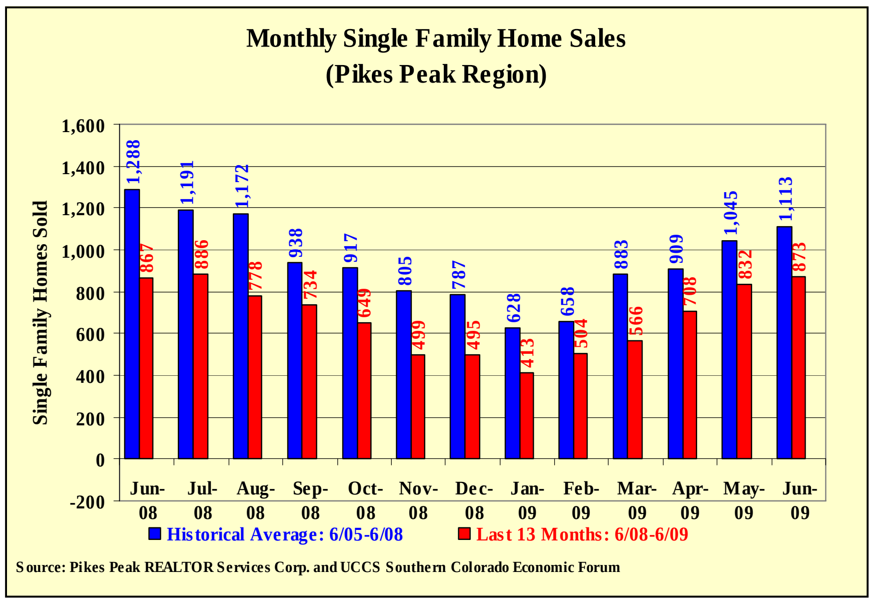
The Forum noted in previous issues of the *QUE* that multi-family units were overbuilt. Vacancy rates in the region are the highest in Colorado. Real rents have declined steadily. Not even the additional troops at Fort Carson are sufficient to absorb the vacant units in the community. Sanity appears to be prevailing at this time. Multi-family permit activity has come to a halt. Additional troops in the area and a recovering economy are expected to reduce vacancies over the next 6 to 12 months. The Forum does expect some new permits to be taken out in the second half of the year as vacancy rates are expected to drop.



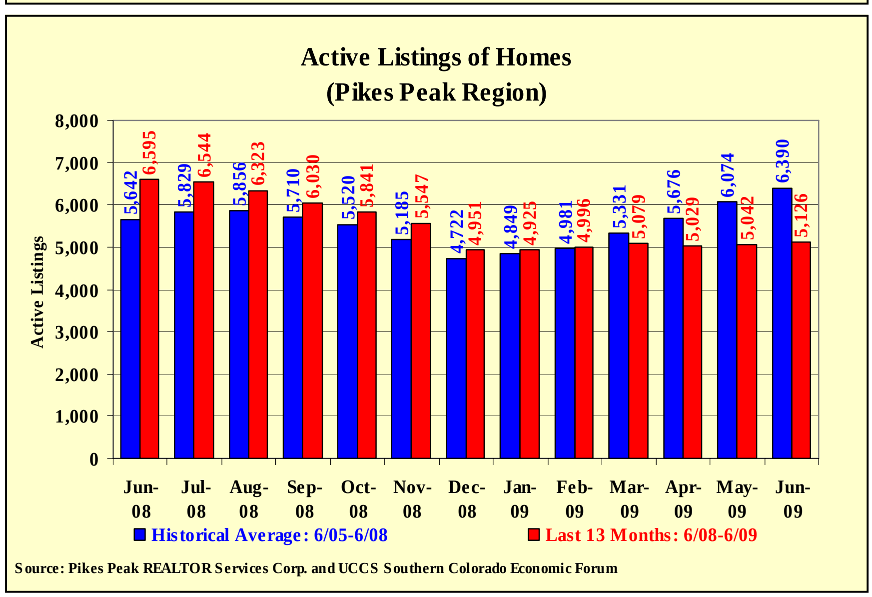
MLS Activity



Single family home sales in the Pikes Peak Region were down 25.6 percent from year to date average for 2006-2008 (vs. 28.5% in March. Low interest rates and first time home buyer tax credits are believed to be contributing to the recent year to date sales trends. Low mortgage rates (5.5%), a high housing affordability index (134 in 2008 vs. 101 in 2006), improving consumer confidence (up 25% since last year) and expected declines in unemployment should improve home sales through 2009.

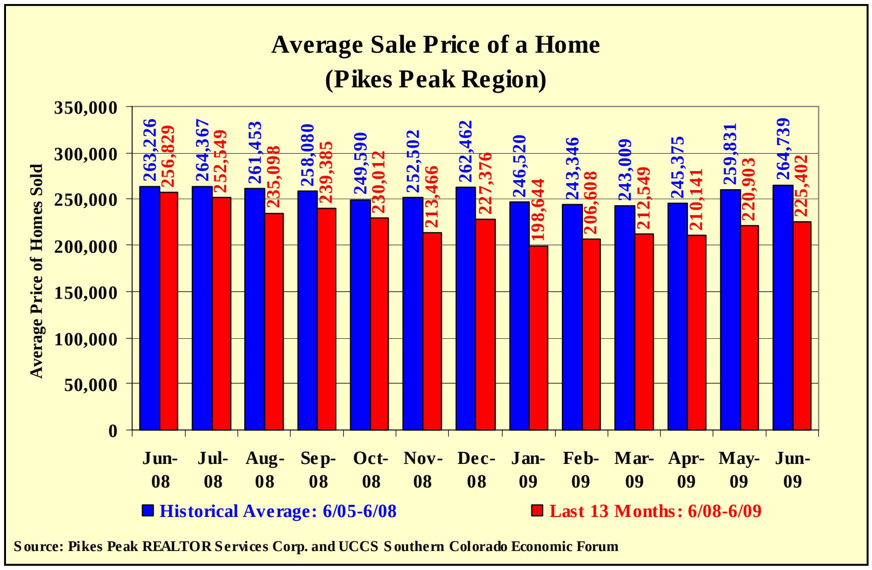


Monthly home sales activity for June 2009, compared to the monthly average for 2005-2008, has improved significantly since March 2009. In March, home sales activity was approximately 36 percent below the past average for March. As of June, home sales activity is just 21.6 percent behind the past average for June. Low interest rates, a decline in the supply of homes for sale and first time home buyers taking advantage of the stimulus package tax credits are all believed to have contributed to the improvement in monthly home sales.

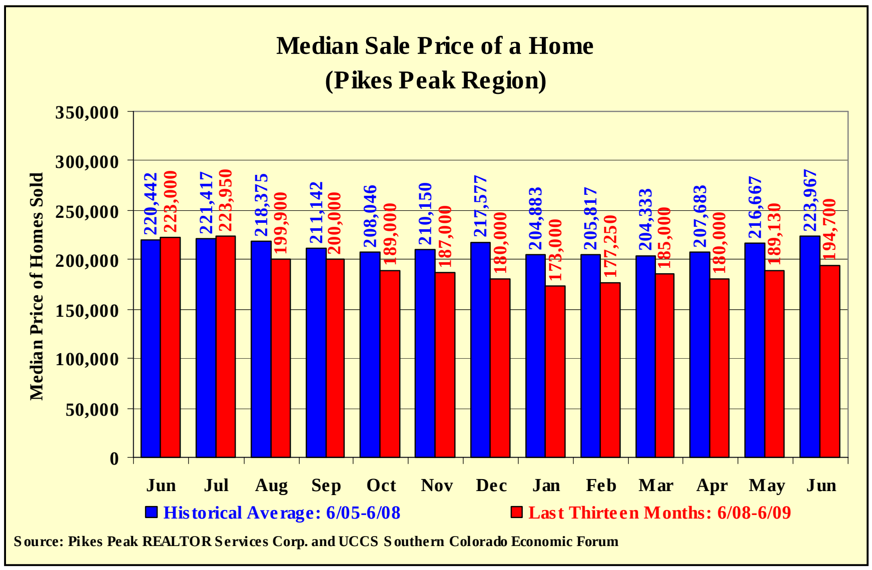


The supply of single family homes for sale in the Pikes Peak Region in March was down 13.3 percent from March 2008's historical average. There has been a nominal increase of 57 home listings since March. This is 20 percent below the historical average. The Forum anticipated this trend and expected it to lead to price stability among resale homes. Casual conversations with several realtors have pointed to homes being sold at listing prices with more than one prospective buyer making offers on a home.

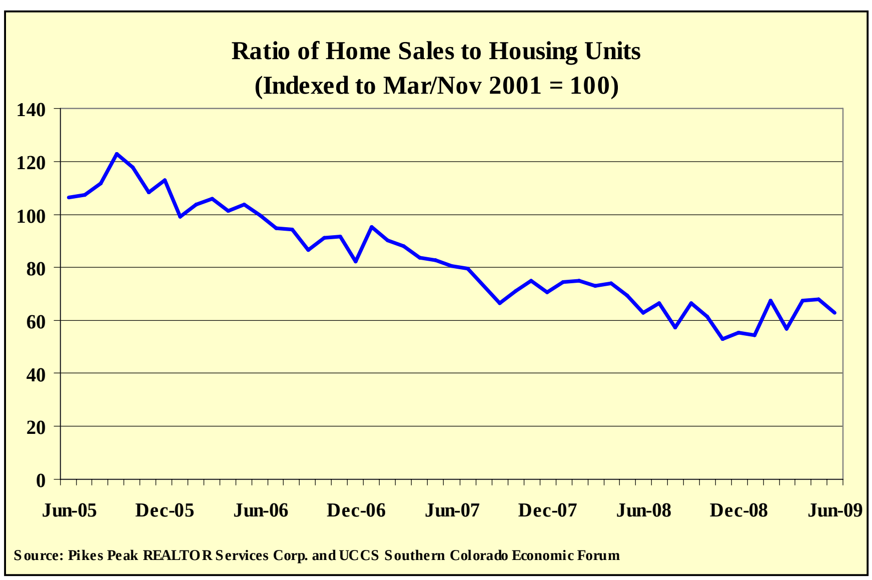
The average price of an MLS facilitated home sale has seen an increase in the last several months. Since January, prices of homes sold have increased approximately 13.5 percent. This is about 5 percent higher than the seasonally adjusted trend would indicate. Housing prices appear to have stabilized and are beginning their upward trend.



Median sale prices were almost a mirror image of the average price trend. Median prices appear to have bottomed out in January. Since then, median prices have increased approximately 9.8 percent. This is also higher than a seasonally adjusted trend expectation of 6.3 percent increase. The rate of increase suggests the housing sector is no longer in a state of decline. Housing conditions appear to be improving.

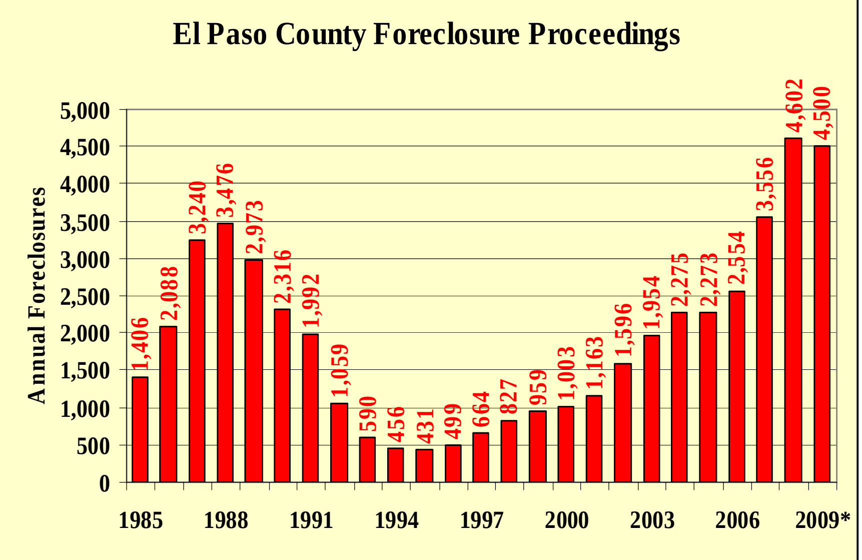


The Forum's ratio of home sales to total single family housing units is a proxy for the liquidity of the local single family housing market. The index remained in a steady range from October 2008 through March 2009. Since then, an upward trend appears to have begun. This will have to be monitored over the next several months to isolate first time home buyer tax credit effects. Whatever trend may have begun, the ratio is expected to have some volatility during the transition phase of the economy.



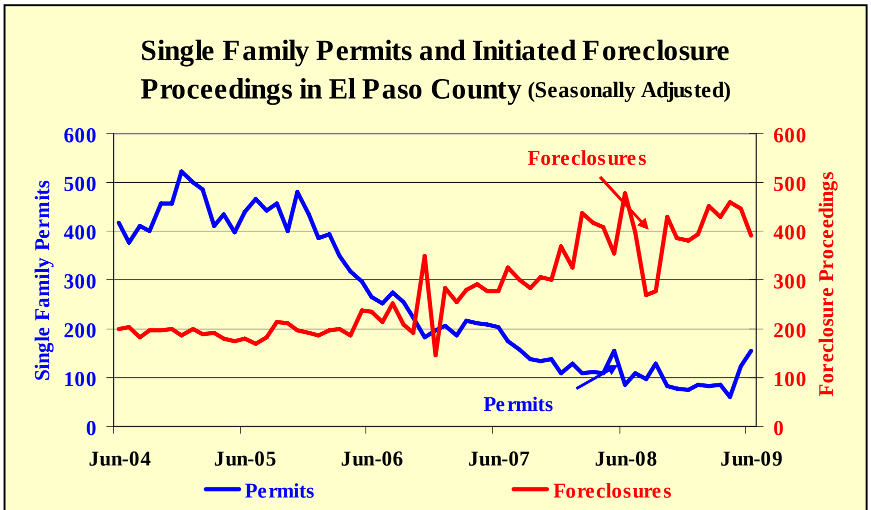
Foreclosures

The number foreclosures increased sharply in 2008 as subprime and Alt A mortgage loans became more problematic. Evidence points to a number of homeowners with second mortgages who are upside down on their mortgages. Last issue of the *QUE* also cited rising unemployment as a factor affecting the number of foreclosures. The June 2009 BCI suggests the local economy is improving. The Forum continues to expect foreclosures will decline by about 100 to 4,500 in 2009.



Source: El Paso County Public Trustee and UCCS Southern Colorado Economic Forum

The Forum first pointed to the inverse relation between foreclosures and new single family permits at its 11th Annual Southern Colorado Economic Forum in October 2007. Evidence of the relationship continued through June 2009. The illustration to the right also suggests that foreclosures appear to have peaked and are beginning to decline.

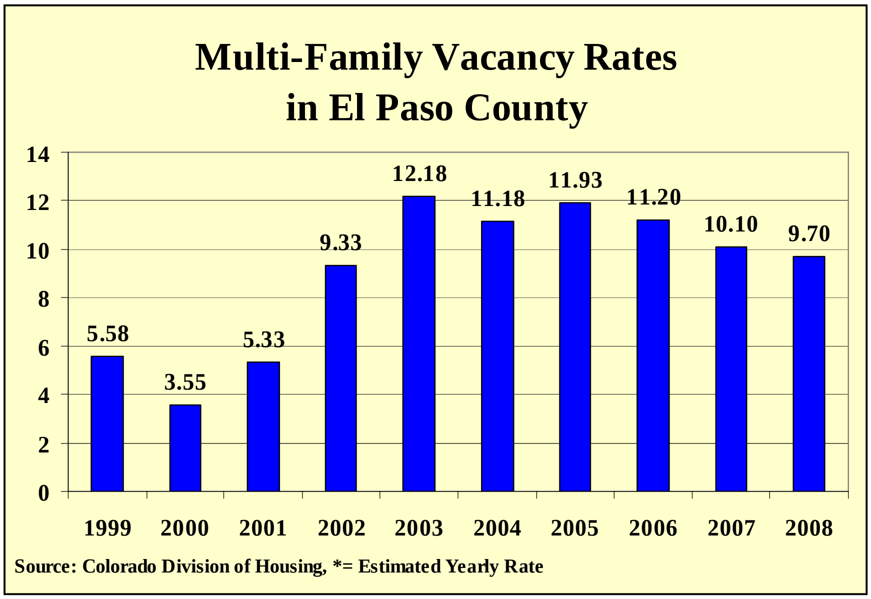


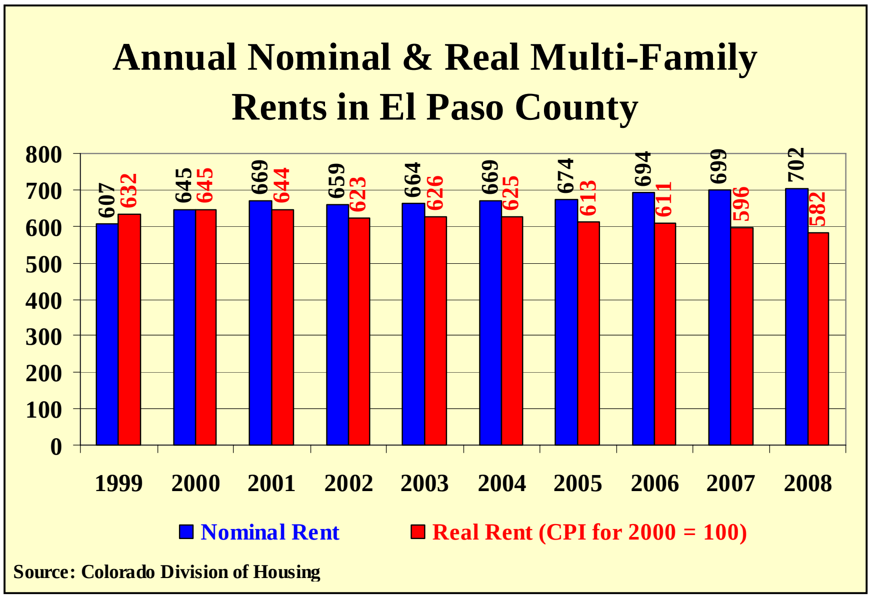
Source: El Paso County Public Trustee and UCCS Southern Colorado Economic Forum

Multi-family Market

The estimated annualized multi-family vacancy rate stood at 9.65 percent for 2008. Continued new construction, the lack of job growth and the sustained deployment of troops from Fort Carson contributed to this. The Rand institute estimated 40 percent of the troops who live off base will rent housing. The anticipated return of troops and additional troops under BRAC05 are expected to help reduce vacancies in 2009 provided new multi-family construction takes a sabbatical.

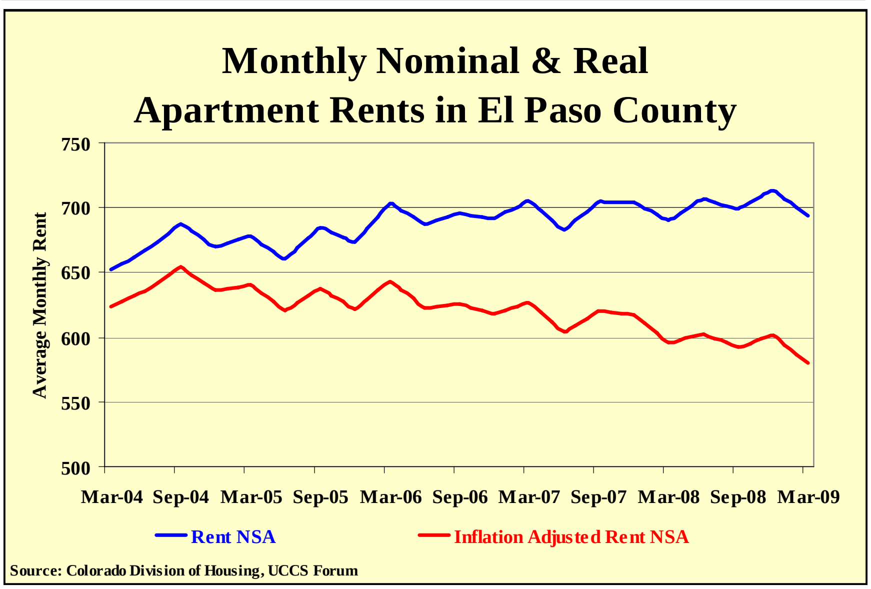
Higher nominal rents are not expected until vacancies drop and inflation increases with a growing economy.





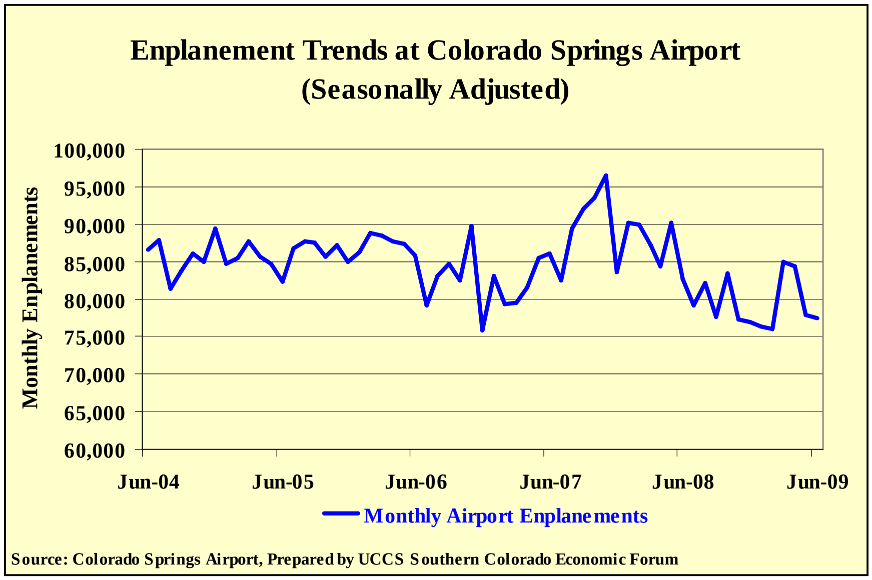
Apartment rents increased 6.5 percent since March 2004. Unfortunately, inflation increased 13.8 percent during the same period. This means, net of inflation, landlords are collecting 6.9 percent less real revenue per rented apartment than they did five years earlier.

The cessation of new multi-family permits and the expected increase in off-base housing needs of the additional troops at Fort Carson are expected to support some upward movement in real rents over the next six to twelve months.

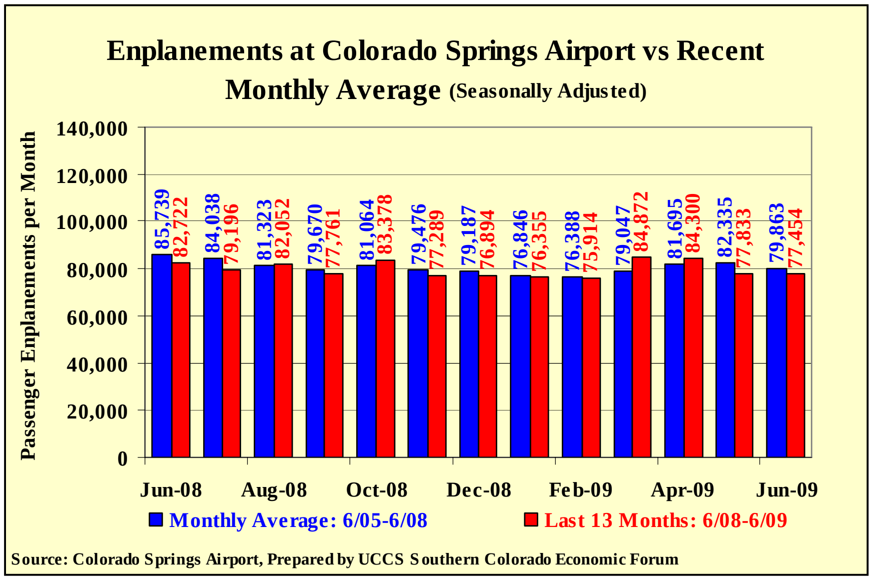


Colorado Springs Airport Trends

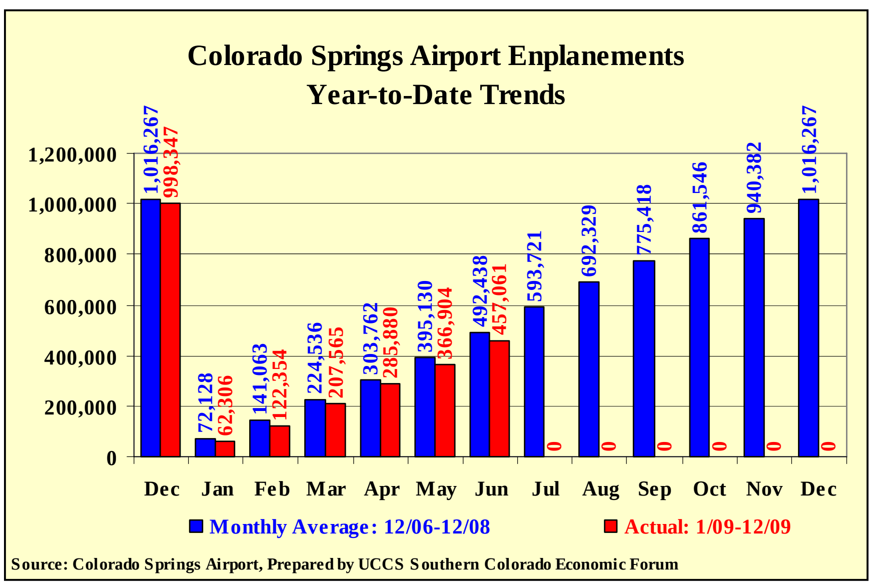
Enplanement activity continued its decline through the second quarter of 2009. This was expected, given the conditions of the economy. Enplanements are not expected to increase until the latter portion of 2009 to early 2010.



A comparison of current monthly enplanements vs. their historical monthly average reveals the downward trend in enplanements has been ongoing for an extended period of time. The spike in March's enplanements coincides with the large number of troops who returned to Fort Carson after an extended deployment and subsequently flew out of the airport to visit family and friends. The Forum expected this spike. Additional military related spikes are expected in 2009. These are not expected to offset the generally lower trend in enplanements at the airport.



The Forum repeats its expectation that monthly enplanements will continue to lag their recent past averages. At the current trend, enplanements in 2009 are expected to be 5 percent below 2008 levels.



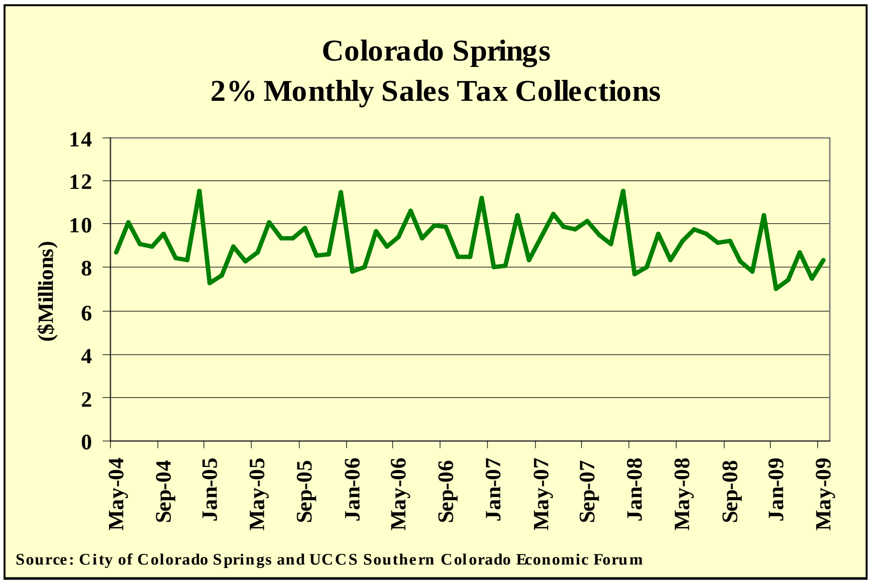
Colorado Springs Sales Taxes

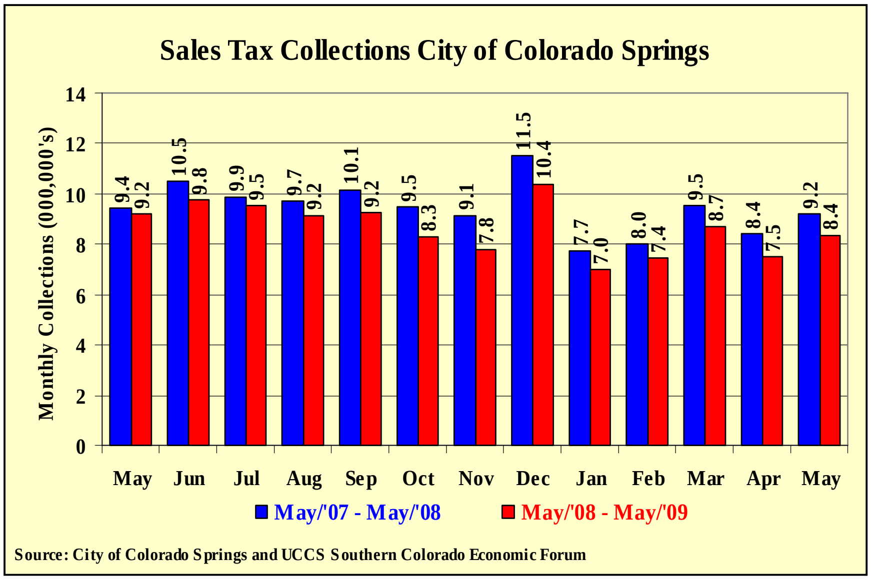
The City of Colorado Springs sales tax collections peaked in 2007. The current decline reflects the recession and the on-going flight to suburbia. In order to see a correction to the tax revenue trend, the City of Colorado Springs needs to host large dollar volume retailers that require population and income densities that are not found in the area's smaller, satellite communities. These retailers should probably be located along I25 or similar high traffic corridor.

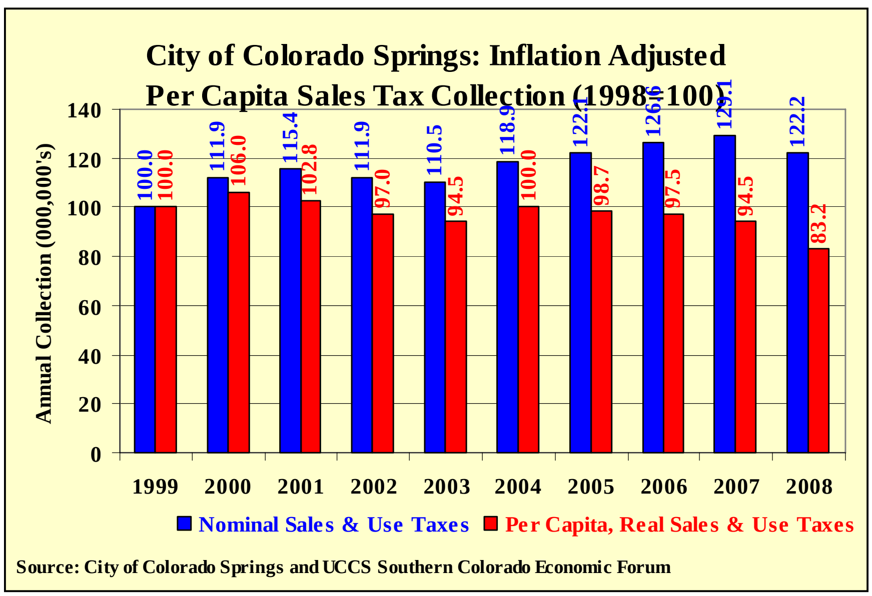
Monthly sales tax collection comparisons with the current and average for the same month over the previous three years indicate sales tax collections for Colorado Springs have declined steadily throughout 2008 and into 2009. Current conditions indicate the City and County will experience consecutive TABOR ratchet down effects for 2009 and 2010.

Sales tax declines are tied to the flight to suburbia, the loss of high paying jobs since 2001 and the recession. Per capita, real sales tax collections have been on a downward trend for the City of Colorado Springs for several years. Per capita, real, sales tax collections fell 17 percent for the City from 1999 through 2008. Additional declines are anticipated for 2009.

Redevelopment of blighted areas, infilling, revitalization and a more diversified economic base of the city are keys to remedying the decline in sales tax collections.

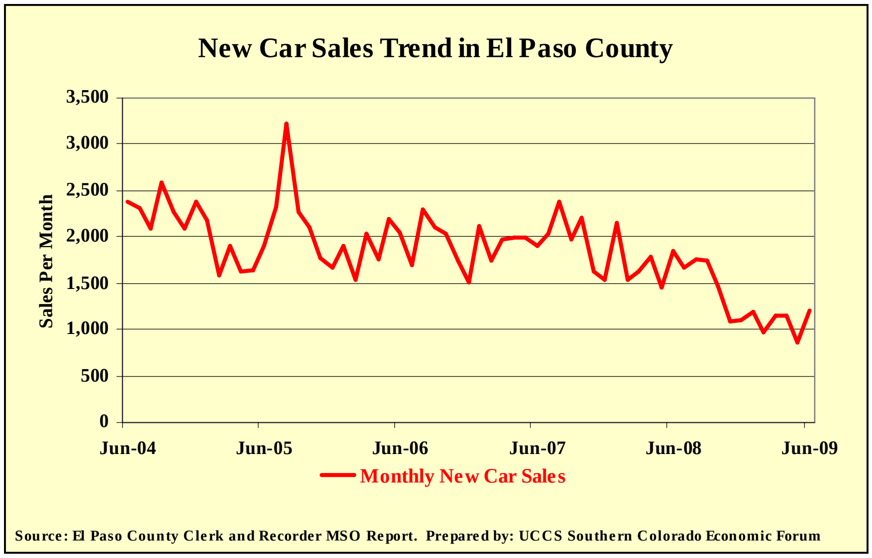




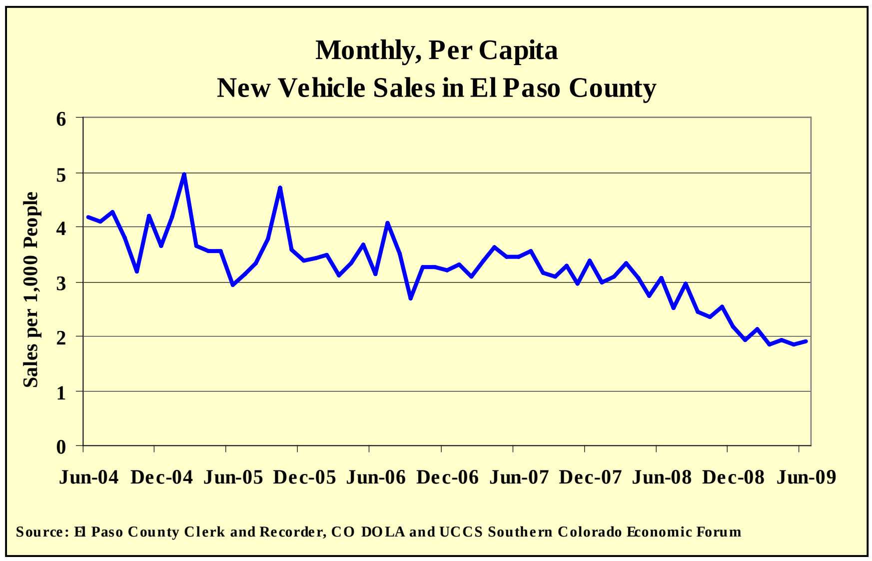


New Car Sales Trends

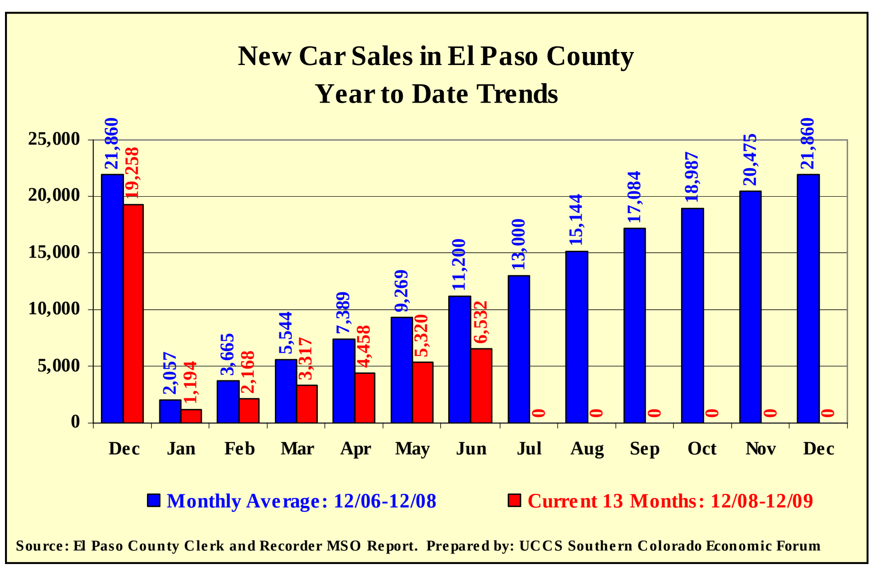
The downward trend in new automobile sales continued through the second quarter of 2009. New car sales in 2008 were approximately 22.4 percent below their sales levels in 2004 and 32 percent below their sales levels in 2001. The current Cash for Clunkers program (CARS) is expected to provide a boost in car sales in July and August. Sustained, significant resurgence is not expected until Spring 2010.



On a per capita basis, new car sales are doing worse than the absolute decline in car sales. Per capita new car sales have declined approximately 51 percent since March 2004 and 57 percent since March 2001. New car sales will probably not return to levels of the past for several reasons. Cars last longer. New CAFE standards will increase their costs, encouraging car owners to keep them longer before buying a new model. Other factors such as an aging demographic and employment shifts to the suburbs are expected to extend ownership lengths periods before trade-ins.



Year to date, new car sales are running 41.7 percent behind normal year to date unit sales figures. The CARS program is expected to boost this a little in the short run. The CARS program might lead to the same problem that housing experienced several years ago. Low interest rates and lax credit standards lead to an increase the demand in the current period at the expense of lower demand in a future period. Federal rebates under CARS might push up the purchase date for some buyers. Ultimately, it will not change the long run demand for automobiles.



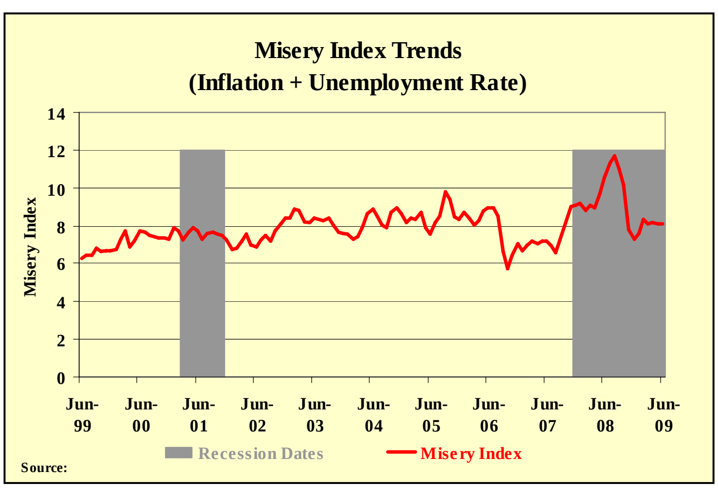
National Expectations

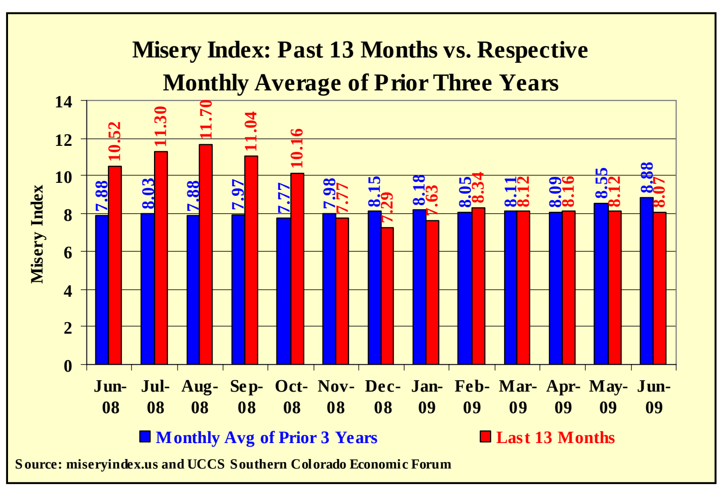
The Federal Reserve Bank of Philadelphia May 2009 [Survey of Professional Economists]() moved toward a more optimistic future than their last survey. The consensus opinion of the 51 economists in the survey was the economy was doing worse in May than in February. The forecasters are expecting higher unemployment and weak GDP performance through the third quarter. Employment growth is expected to be negative through 2009. The survey also indicates the consensus is the economy is past the worst of the downturn. Housing starts are expected to show improvement over the next year. Industrial production is also expected to show signs of modest improvement.

Annualized Rate for					
	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10
10-Year T-Bond Rate	3.0	3.1	3.2	3.3	3.5
3-Month T-Bill Rate	0.2	0.3	0.3	0.4	0.5
AAA Corp Bond Rate	5.4	5.3	5.4	5.3	5.3
New Private Housing Starts (Annualized Rate)	-1.8	23.1	43.2	48.2	59.1
Industrial Production Index	96.8	96.5	96.9	97.1	97.7
Inflation Rate %	0.7	1.6	1.5	1.8	2.0
Real GDP Growth %	-1.5	0.4	1.7	2.2	2.9
Unemployment %	9.1	9.6	9.8	9.8	9.7
Employment Growth					
Nonfarm Payroll Employment Growth (000's)	-521.5	-282.5	-104.7	19.9	103.2
Nonfarm Payroll Employment Growth (%)	-4.6	-2.5	-1.0	0.2	0.9
Recession Likelihood					
Mean Probability of a Decline in Real GDP	78.9%	46.5%	26.9%	17.5%	14.4%

Misery Index

The Misery Index, a consumer economic wellness measure, ([www.miseryindex.us]()), defines consumer discontent as the sum of the rate of unemployment and the rate of inflation. The lower left chart illustrates the historical values for the last ten years through June 2009. The rise in the Misery Index beginning in late 2007 identified the current recession correctly. The Misery Index is currently declining due to a decrease in inflation. The decline in inflation is attribute to falling energy and commodity prices. The current 9.5 percent national unemployment rate suggests it is too soon to begin feeling good. Inflation is expected to increase in the coming months. Together with higher expected unemployment rates, the Misery Index is expected to be in the 11-12 range later this year.





Coping with Economic Conditions
A Business Survey – April-May 2009
By Sam White, Ph.D.
University of Colorado at Colorado Springs
College of Business and Administration

Introduction

Businesses and individuals around the country continue to cope with one of the deepest recessions since the great Depression. Nationally, U.S. employers struggle to remain competitive by finding ways to reduce costs while retaining essential personnel. Organizations have engaged in a variety of actions to reduce expenditures and to increase revenues while they wait for the promised "economic stimulus" from the federal government to take hold.

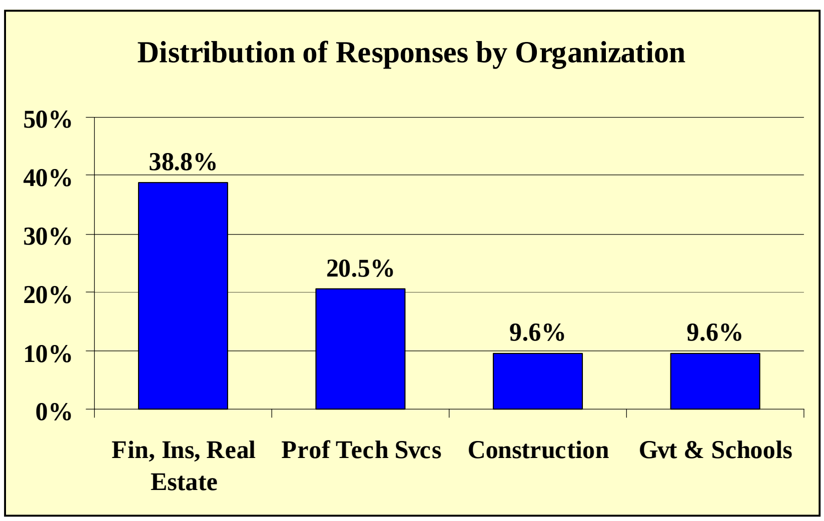
Together with BiggsKofford, the Southern Colorado Economic Forum surveyed individuals on their respective e-mail lists to assess their:

Perceptions of current economic conditions.
Actions taken to reduce expenditures and increase revenues.
Expectations about the American Recovery and Reinvestment Act (Stimulus Package).
Major concerns facing their businesses in the next six months.

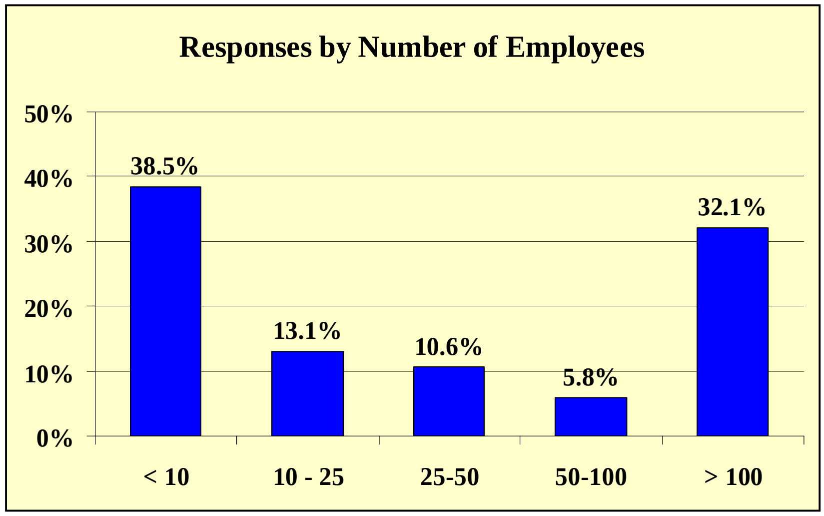
Local and regional public and private sector organizations were surveyed during the latter part of April and the beginning of May. The survey sought to determine four items. First, have local organizations been affected by the recent downturn in the national economy? Second, what cost cutting and/or revenue enhancing efforts the organizations took during the national recession? Third, how is the American Recovery & Reinvestment Act (Stimulus Package) expected to affect their organizations? Fourth, what challenges face the local organizations in the next six months?

Description of Reponses by Organization Type and Organizational Size

A total of 312 responses were completed. This represented approximately a 30 percent response rate. The respondents represented fourteen industries. The largest groups were in Finance Insurance and Real Estate (38.8%), Professional and Technical Services (20.5%), Construction (9.6%), and Government Agencies and School Districts (9.6%).



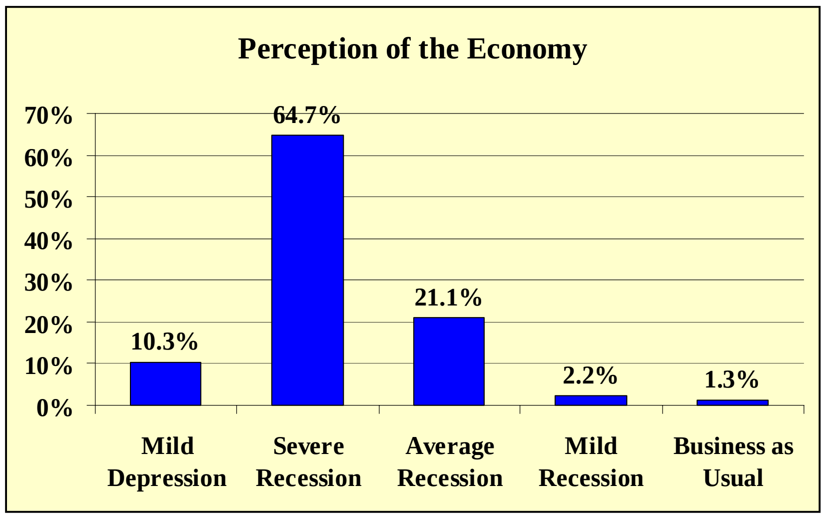
Responses came from organizations in five size categories: The employer size categories are: less than 10 employees working in El Paso County (38.5%), 10 to 25 employees (13.1%), 25 to 50 employees (10.6%), 50 to 100 employees (5.8%) and more than 100 employees (32.1%).



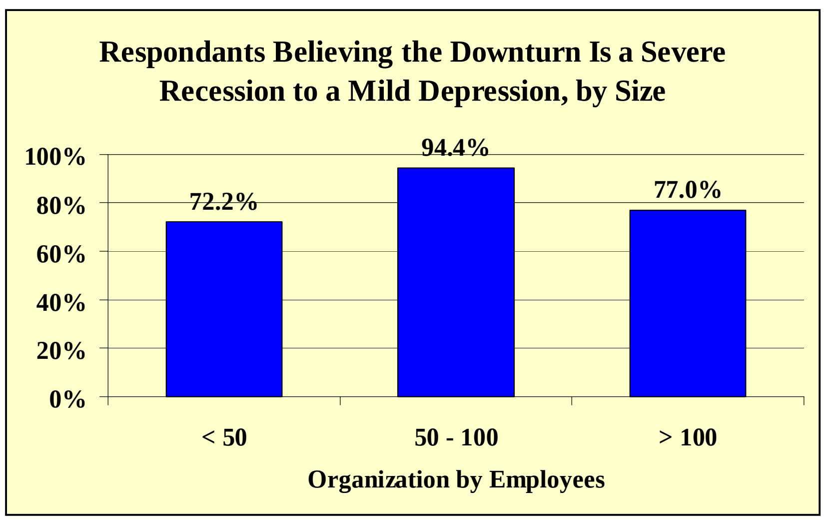
Perceptions of the Economy

How would you assess the current state of economic activity in the overall U.S. economy?

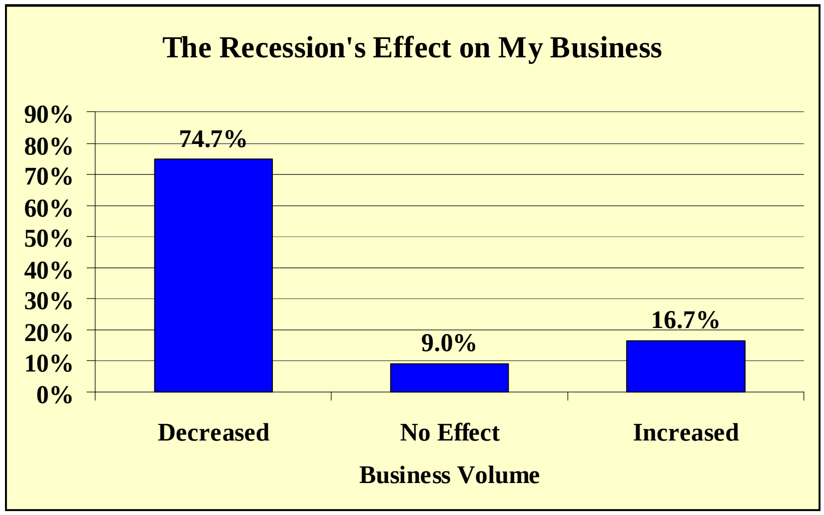
An overwhelming majority of the respondents (64.7%) believed we are experiencing a severe recession. Fewer said this is an Average Recession (21.1%). A small number believed we are in a Mild Depression (10.3%). Interestingly, 2.2% indicated the current economic climate is a Mild Recession and 1.3% said, "It's just business as usual."



Since there was a wide disparity among the perceptions, a breakout analysis was performed to determine if the intensity of perceptions varied by organization type or size. The results showed there was consistency among expectation profiles across organization types. Independent of organization group, the respondents believe the current economic situation is an average to severe recession. However, company size appears to make a difference in respondents' perceptions. A much larger percentage of respondents (94.4%) in organizations with 50 to 100 employees perceived the current economic situation as either a severe recession or a mild depression while the respondents in smaller organizations (less than 50) and those in larger organizations (more than 100) perceived this same level of severity (72.2% and 77.0%, respectively). More individuals in mid-range organizations tend to

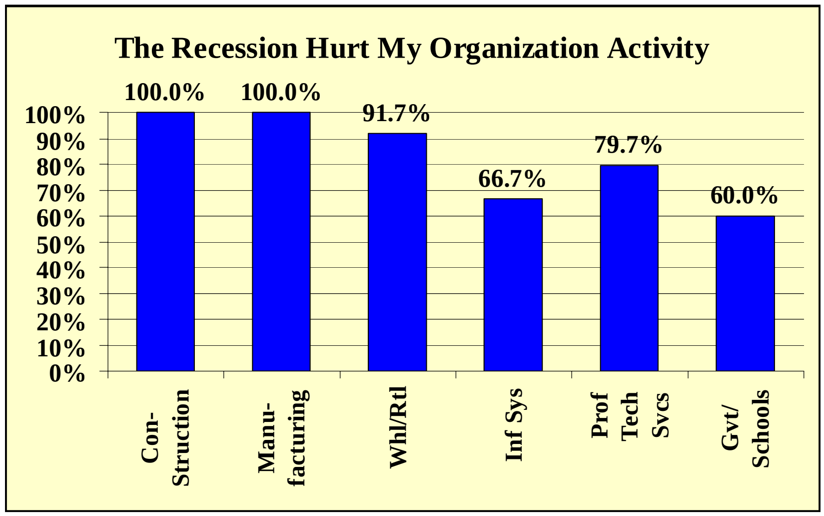


view the situation more negatively when compared to their counterparts in smaller and larger organizations.

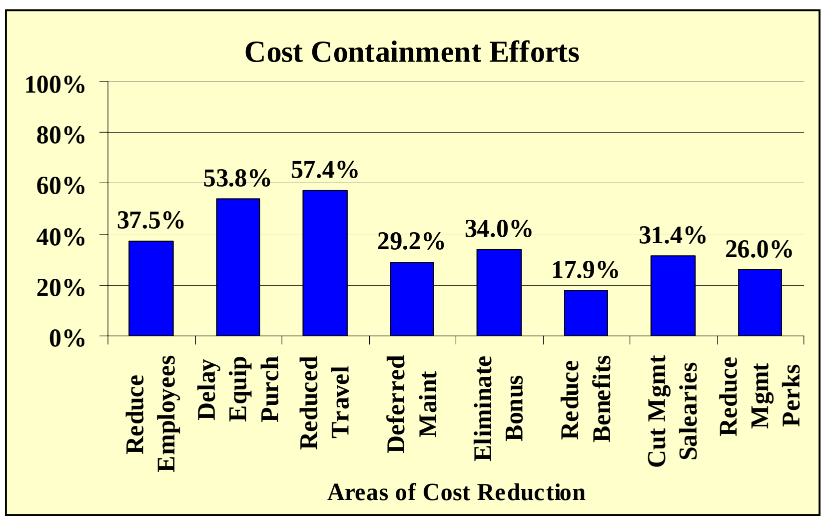


How has your business been impacted by the economy over the past 18 months?

Although most businesses have experienced a decrease in business (74.7%), a significant portion (16.7%) has experienced an increase in business. Nine percent have experienced a neutral impact (neither up nor down).



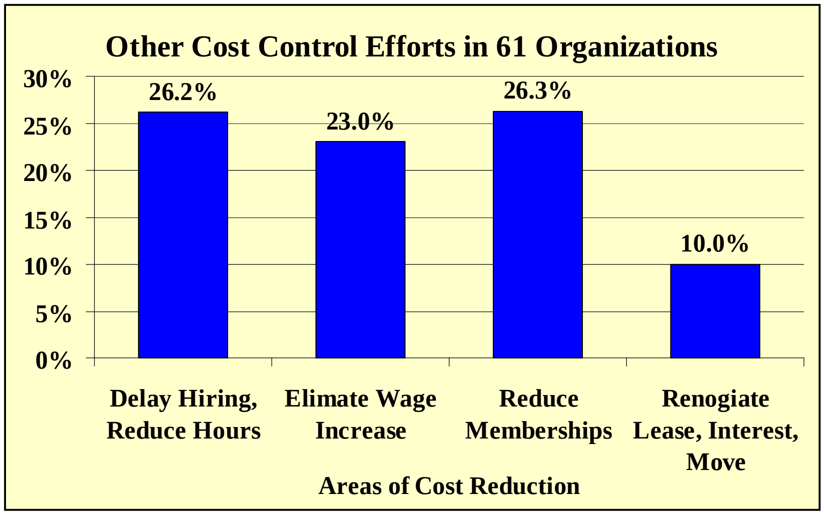
Although industries across the board have been negatively affected by the current economic situation, some industries have been affected more than others have. A more in-depth look shows that all 30 organizations in the construction, all 10 organizations in manufacturing and 11 out of 12 organizations (91.7%) in wholesale and retail report either slight or significant decreases in revenue. However, organizations in information, professional and technical services, and government and school districts reported declines less often (66.7%, 79.7% and 60.0%, respectively).



Similarly, organizations of all sizes have been negatively impacted by current economic conditions. However, larger organizations (25 or more employees) seem to be fairing better than smaller organizations. Fewer larger business (77.5%) reported decreases in revenues or business activity compared to smaller business reporting a decline in revenues or business activity (88.8%).

Actions Taken to Cope

Many businesses entered this recession after years of focusing on cost reduction by eliminating duplication, streamlining processes and minimizing expenses. During this business downturn, these earlier actions have constrained the firms' ability to use the more traditional method of headcount reduction in the face of declining revenues. Thus, managers are reducing the number of employees as well as a implementing number of other cost reduction measures. These include delaying equipment purchases (53.8%), reducing or limiting travel (57.4%), and deferring main-



tenance and repairs to reduce costs in the face of declining revenues. In addition, today's managers are reaching into non-traditional areas by eliminating employee bonuses (34.0%), reducing or eliminating employee benefits (17.9%), reducing management salaries (31.4%), and reducing or eliminating management perks (26.0%) to stem the red ink.

Almost one-fifth of participants (n = 61 or 19.6%) chose some other cost control action. These include delayed hiring and reducing hours (26.2%), eliminating wage increases (23.0%), cutting nonessential spending such as membership fees (26.3%). Fewer than 10.0% of organizations attempted to renegotiate payment schedules or interest rates, move to another location or outsource activities to lower costs.

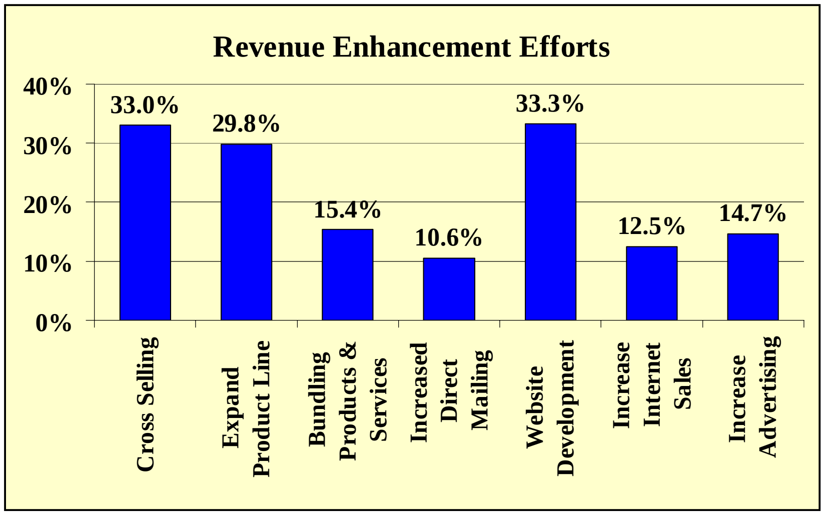
When cost reduction methods are categorized by industry, the results indicated that organizations experiencing the highest decreases in revenue (construction, manufacturing, and wholesale/retail) have relied on reducing management salaries, consolidating business operations, reducing or eliminating employee benefits and management perks. Organizations in those industries experiencing the least amount of decrease in revenue (service providers, government agencies and school districts) have relied on more traditional cost reduction methods such as deferring maintenance and repairs.

When cost reduction activities are reviewed by the organization size, it appears that larger organizations (more than 100 employees) are more likely to defer maintenance and repairs and less likely to reduce management salaries or take no action compared to smaller organizations (less than 100 employees). The profiles of actions taken to reduce or control costs were almost identical between organizations with fewer than 25 employees and organizations with 25 – 100 employees.

When the organizations reporting no action were reviewed according to the perceived impact of the economy on their business activity, organizations experiencing decreases in business activity were much more likely to take action to reduce costs than were organizations experiencing increased business activity (91.6% versus 62.8%). Interestingly, about half of those organizations reporting a neutral impact with business neither up nor down, indicated they took action to reduce costs (48.1%). It appears that the majority of this group is waiting to see if the economy will worsen before reducing costs in the hope that measures such as staff reductions, etc. will not be necessary.

Of course, cost reduction is only one-half of the solution. Taking action to increase revenue is another path toward adjustment to current economic conditions. Similar to efforts to reduce or control costs, both traditional and non-traditional approaches are being used to increase revenues. More traditional means such as increasing cross-selling efforts (33.0%) and expanding service or product offerings (29.8%) are being used by approximately one-third of respondents. While a much smaller group are using the bundling of more products and services (15.4%) and increased use of direct mailings (10.6%) to increase revenues. Non-traditional approaches such as creating or expanding a website (33.3%), increased direct selling via the internet (12.5%) and increasing advertising budgets (14.7%) are also be used to stimulate revenues.

When the "No actions taken" responses were separated by perceived impact on business activity, the percentage of responses in each category was about equal. Surprisingly, it appears that regardless of the perceived impact of the current situation, some organizations feel they are doing everything they can do, and prefer to take no further actions to change their revenue stream.



A small portion of respondents indicated using revenue enhancement methods in the "other response category." Of the 49 responses received, one theme was expressed by a large number of respondents (34.7%): Attempted a new marketing or sales approach. It appears that organizations have increased use of networking, expanded prospect lists and face-to-face contacts with customers to stimulate sales.

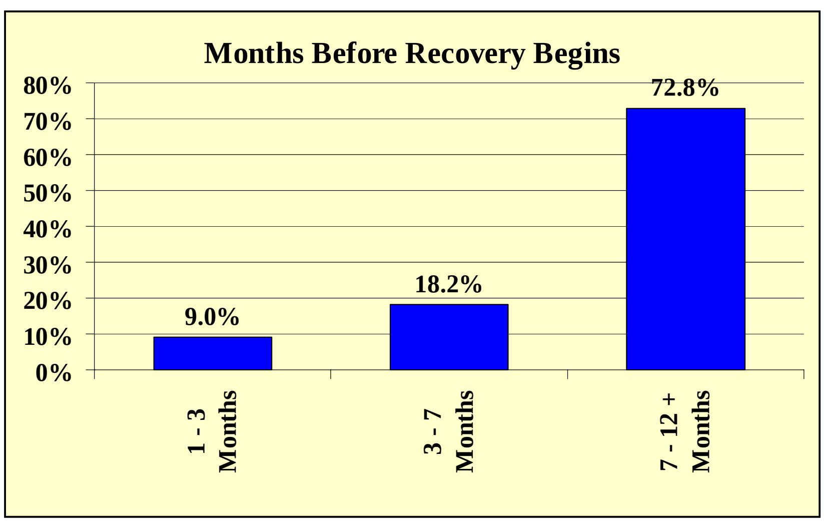
When the types of actions taken to increase revenues were split by organization type, the profiles of actions taken were almost identical across all organization types. However, when the action profile was reviewed by company size, there were clear preferences in the actions taken to increase revenues. Smaller organizations (less than 25 employees) were much more likely to increase advertising as a primary means to increase business activity. Additionally, smaller organizations are much less likely to use increased direct selling via the internet to stimulate sales when compared to organizations with more than 25 employees.

Mid-size or organizations (25 to 100 employees) were more likely to hire additional employees and much less likely to use traditional direct mail advertising as a means t0 increase revenues or business activity.

Larger organizations (100 or more employees) were more likely to increase their efforts to stimulate revenues or business activity using direct mail, sales via the internet and cross-selling when compared to small and mid-sized organizations.

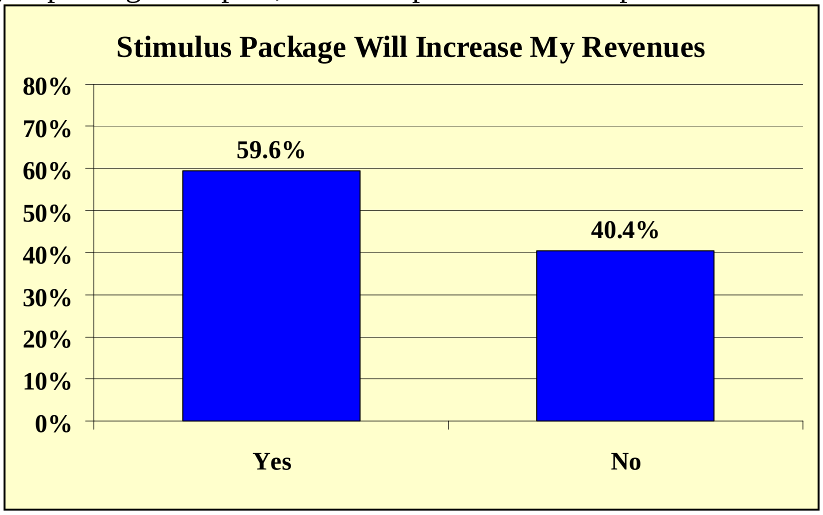
When Does it Get Better

Respondents were generally pessimistic about when economic conditions would improve. Most people (72.8%) indicated it would be 7 months to longer than one year before business conditions are expected to improve and only a few people (9.0%) indicated a quicker recovery is in the offing (1 to 3 months). This profile of expectations was consistent across organization types and regardless of company size. It appears that most people agree. The economic recovery is some distance off.

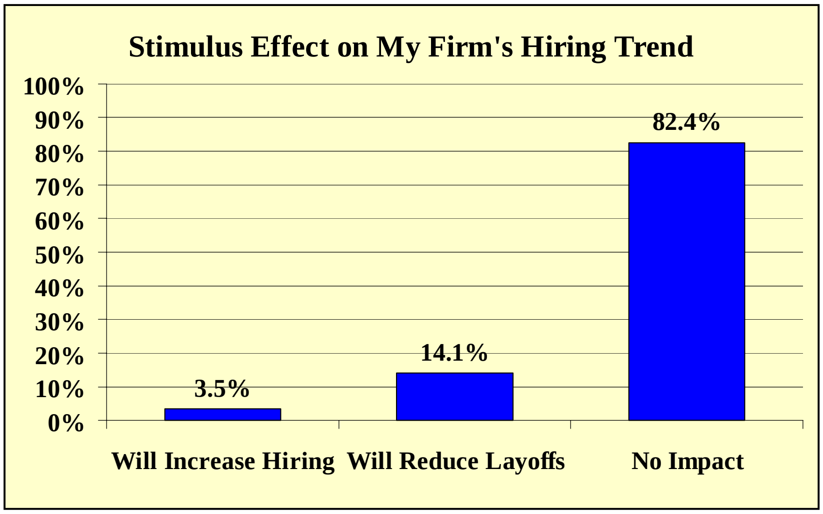


Expectations about the Stimulus Package

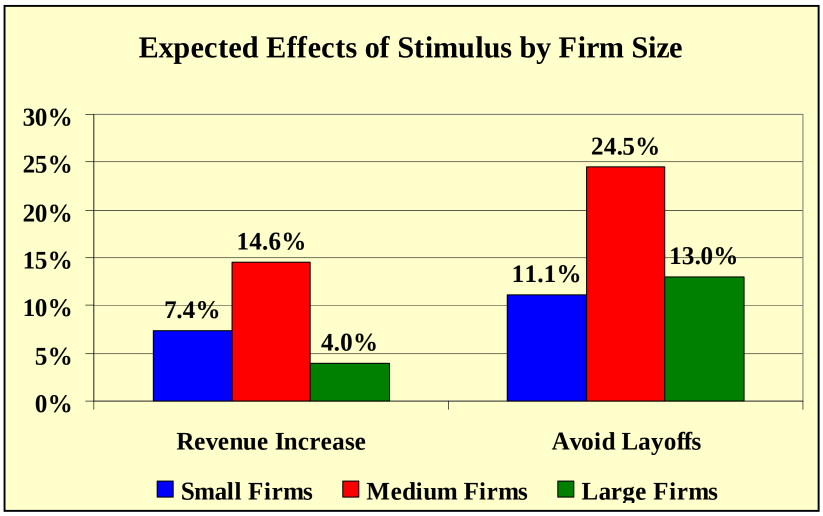
Two questions were asked about the American Recovery & Reinvestment Act passed by the U.S. Congress and championed by the Administration. A majority of respondents thought the Act would have an Impact on their revenues (59.6%) while a smaller number (40.4%) thought there would be No Impact on their revenues from the stimulus package. Among the majority expecting an impact, 46.8% expected Some Impact and 8.3% expected a Moderate Impact. Only a small number (4.5%) anticipated that a Substantial Impact on revenues from the stimulus package.



Similarly, a small number of respondents anticipated hiring workers because of increased sales due to the stimulus package (3.5%). A somewhat larger number indicated they felt the stimulus package would help them avoid laying off workers (14.1%). An overwhelming majority (82.4%) of respondents felt there would be No Impact on employment in their business due to the stimulus package.



When the impact and employment expectations are reviewed according to organization type, these profiles are consistent. Regardless of organization type, most people anticipate no impact in sales from the stimulus package or increased employment. There was, however, a difference in response profile when responses were controlled by company size. People in the mid-range (25 – 100 employees) were more likely to expect a moderate impact on business activity due to the stimulus package when compared to either smaller or larger organizations (14.6%, 7.4% and 4.0%, respectively). Similarly, these organizations tended to perceive that the stimulus package would help them avoid layoffs (24.5%) when compared to either smaller (11.1%) or larger organizations (13.0%). Clearly, individuals in mid-sized organizations appear to be more optimistic about the effects of the American Recovery & Reinvestment Act passed by the U.S. Congress and championed by the Administration.



Most Important Concerns

When the 312 open-ended responses to

"What is the most important concern or issue facing your business over the next six months," were reviewed, nine primary themes, emerged. These themes and examples are:

Theme	Number	Percent of Responses
Increasing Sales Revenue and Survival	**80**	**25.6%**
Increase sales		
Increasing cash flows		
Insuring we stay in business		
Improving Credit Markets and Loan Delinquencies	**57**	**18.3%**
Lack of viable financing		
Banks unwilling to make loans		
Rising number of loan delinquencies		
Actions by the Federal Government	**39**	**12.5%**
Uncertainty about Administration's spending		
Federal government interference (mandates)		
Intervention will slow market recovery		
Controlling Costs	**35**	**11.2%**
Keeping internal costs low		
Increasing taxes – storm water fees, sales tax, etc.		
Increasing sewer and water rates		
Economic Growth or Increased Economic Activity	**33**	**10.6%**
Turn stagnation into growth		
Begin to expand business		
Improving the resale housing market		
Rebuilding Public Confidence	**27**	**08.7%**
Stop wallowing in self-pity & negative media		
Restore belief in American Dream (housing)		
Restore consumer confidence (spending)		
Increasing Job Growth or Employment	**22**	**07.1%**
Our clients losing their jobs		
Loss of jobs in the region		
Job layoffs and eliminations		
Decreasing Support to Maintain Public Programs	**12**	**03.6%**
Drop in support for higher education		
Reduced sales tax revenues		
Government funding		
Retaining or Replacing Talented Employees	**12**	**03.6%**
Keeping professional staff busy		
Retaining key people		
Finding good sales people		

Conclusions and Observations

Responses to the survey provided an interesting picture of business activity in our community. Putting aside all of the commentary in the news media, most local organizations are experiencing recessionary conditions with the severity depending on the organization type and organization size. Those in construction, manufacturing and retailing have been hardest hit, while some organizations in other industries like information, professional and technical services and government agencies/school districts have seen a slight increase in their business activity. Individuals in midsized organizations tend to view the economic situation most negatively.

Dealing with these economic conditions has led organizations, across the board, to take positive steps to stimulate revenues while at the same time tackling the difficult decisions required to reduce costs. Individuals report their organizations have engaged in everything from cross-selling and bundling to using more direct selling via the web, to just increasing their web presence to enhance revenues. At the same time, organizations have reduced or eliminated everything from management salaries and perks, to staff salaries and benefits, and all non-essential expenditures. Economic times are difficult and organizations in our business community appear to be taking a "leave no stone unturned" approach to finding ways to survive.

When does it get better? Despite government actions, people are not too optimistic about when the situation might turn around. Most individuals do not expect improvement very soon; in fact, most people thought the economic recovery will start sometime this fall or as late as mid-2010.

When it comes to government spending, i.e., the stimulus package, the business community is almost equally divided about whether these actions will have a positive impact on revenues and employment. The majority of people believe it will have some positive impact on revenues with a lesser impact on hiring. While a nearly equal proportion of those responding indicate that they foresee no impact from government actions in re-igniting business revenues or in creating jobs.

The open-ended responses to the inquiry about major concerns facing organizations today showed that survival is the primary focus among businesses. Increasing sales, improving cash flows, and "just staying in business" are paramount. Additionally, getting the banking organization back on its feet after a disastrous 2008 and neutralizing the effects of government involvement in the private sector are also being expressed as primary concerns within our business community.

A Personal Thought
Fred Crowley

While this survey was not a strict scientific study, it did point out that not all organizations experience a downturn during a recession. We need to determine if they also grow during an expansion. Economic base studies indicate a well diversified economic base can achieve economic growth and stability during a recession. These are points the Forum has published in the past. A number of efforts are taking place at this time to identify target industries for the Colorado Springs region. Perhaps the efforts will be able to identify how the target industries can lead to higher income, economic base stability and sufficient resources for local governments to provide essential services without violating TABOR.

Finally, thanks go out to BiggsKofford for its assistance, Sam White of the UCCS College of Business for analyzing the responses and the 312 respondents who took the time to complete the survey.

Save the Date

Thirteenth Annual Southern Colorado Economic Forum

When:	**October 30, 2009**
Where:	**Antlers Hilton Hotel**
Format:	**Town Hall Q&A on the economy**
Time:	**7:00AM to Noon**

The Preliminary Agenda

- **7:00 Registration**
- **7:30 Opening remarks**
- **7:45 Keynote speaker**
- **8:25 The Colorado Springs and Regional economy**
- **9:05 Panelists and Q&A**
- **9:45 Break**
- **10:00 Town Hall Meeting: The Future of Colorado Springs and El Paso County**

About the Town Hall Meeting

At the 2009 Southern Colorado Economic Forum, four seasoned community leaders will form a panel to discuss a variety of issues facing our community and region. These leaders will share their ideas about where the community and the region fit in the future. There have been a number of initiatives spearheaded by the organizations that our panelists represent. Come to hear about their ideas for our future and be prepared to ask pertinent questions.

The panel includes Jim Bensberg, El Paso County Commissioner, Lionel Rivera, Mayor of Colorado Springs, Mike Kazmierski, President and CEO of Colorado Springs Regional Economic Development Corporation and Dave Csintyan, President and CEO of the Colorado Springs Chamber of Commerce. Pam Shockley-Zalabak, Chancellor of UCCS, will moderate.

This will be a two-hour period for business leaders and professionals to ask pertinent and timely questions about the future of business vitality in the region and many other non-business related questions about the Colorado Springs community and greater region. Do you have a question in mind already? If so, go to the Forum's web site at www.SouthernColoradoEconomicForum.com. Click the tab on the main links to post a question. The most popular questions will be sent to our panelist prior to the meeting.

Table 2: Selected Economic Indicators

National Quarterly Data			2008 Q3			2008 Q4			2009 Q1			2009 Q2	Vs Year Ago
Ttl Loans/Lease Charge-off Rate			1.50			1.89			2.04			na	1.05
Loan Delinquency Rate			3.72			4.59			5.60			na	2.72
Benefit Costs SA 2005=100			107.5			107.9			108.1			108.3	1.80
Compensation Costs SA 2005=100			108.6			109.1			109.3			109.5	2.30
Retail Sales SA (billions)			1,021			926			9,096			na	8130.5
e-Sales SA (billions)			31.6			31.5			3171.0			na	3138.6
e-Sales as % of Retail Sales SA			3.1%			3.4%			350.0%			na	346.6%
GDP Real % Growth (Chained) SA			-2.7%			-5.4%			-6.4%			-1.0%	-0.3%
Consumer Debt to Disposable Inc			13.8%			13.8%			13.5%			na	-0.7%
National Monthly Data	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Vs Year Ago
Capacity Utilization SA	78.6	77.6	74.5	75.4	74.5	72.8	71.3	70.3	69.3	69.0	68.2	68.0	-10.70
Car & Lt Trk Sales Millions SA	12.5	13.7	12.5	10.5	10.1	10.3	9.5	9.1	9.8	9.3	9.9	9.7	-3.98
Consumer Sentiment (1966=100) SA	61.2	63.0	70.3	57.6	55.3	60.1	61.2	56.3	57.3	65.1	68.7	70.8	14.40
CPI-U 1982-84=100 SA	218.6	218.6	218.7	216.9	213.3	211.6	212.2	213.0	212.7	212.7	212.9	214.5	-1.19%
Federal Funds Rate (Effective)	2.01%	2.00%	1.81%	0.97%	0.39%	0.16%	0.15%	0.22%	0.18%	0.15%	0.18%	0.21%	-1.79%
Industrial Production (1997=100) SA	110.4	109.2	104.8	106.2	104.8	102.4	100.1	99.4	97.7	96.9	95.8	95.4	-15.05
Inventory/Sales Ratio SA	1.26	1.29	1.32	1.36	1.43	1.46	1.46	1.44	1.44	1.43	1.42	na	0.17
30 Year Convential Mtg Rate NSA	6.43%	6.48%	6.04%	6.20%	6.09%	5.33%	5.06%	5.13%	5.00%	4.81%	4.86%	5.42%	-0.90%
Prime Rate (%) NSA	5.00	5.00	5.00	4.56	4.00	3.61	3.25	3.25	3.25	3.25	3.25	3.25	-1.75
Purch Mgr Index SA	49.50	49.30	43.40	38.70	36.60	32.90	35.60	35.80	36.30	40.10	42.80	44.80	-4.70
Real Rtl/Food Svc Sales SA (billions)	171.03	170.28	167.63	163.70	163.04	159.01	161.20	161.23	159.48	159.09	159.69	159.54	-13.67
S&P500	1,267	1,283	1,165	969	896	903	826	735	798	873	919	919	-360.68
Tech Index SA - Mar 2001 = 100	111.4	110.8	109.2	106.4	108.9	104.3	101.3	104.8	105.6	103.8	106.0	na	-7.57
Trade Weighted Dollar	70.9	74.1	75.5	80.4	82.7	80.7	81.0	83.1	83.8	82.3	78.9	77.0	5.60
West Texas Oil Spot Price NSA	133.4	116.6	103.9	76.7	57.4	41.0	41.7	39.2	48.0	49.8	59.2	69.7	-$64.25
Colorado Data	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Vs Year Ago
Denver-Boulder CPI SA	-	-	-	-	-	211.07	-	-	-	-	-	214.34	2.68%
Kansas City Fed Mfg Index	169.3	146.5	125.6	99.0	75.1	77.0	62.8	59.8	64.6	78.1	90.1	106.1	0.0
Labor Force NSA (000's)	2,757	2,750	2,746	2,752	2,736	2,732	2,723	2,714	2,706	2,715	2,702	2,724	-27.99
Labor Force SA (000's)	2,727	2,731	2,731	2,732	2,733	2,738	2,740	2,742	2,751	2,737	2,721	2,700	-26.82
Employment NSA (000's)	2,621	2,614	2,614	2,612	2,588	2,567	2,527	2,508	2,493	2,516	2,502	2,511	-102.99
Employment SA (000's)	2,597	2,597	2,597	2,595	2,593	2,591	2,556	2,535	2,522	2,535	2,514	2,496	-100.32
Unemployment Rate NSA	4.9%	4.9%	4.8%	5.1%	5.4%	6.0%	7.2%	7.6%	7.9%	7.3%	7.4%	7.8%	2.80%
Unemployment Rate SA	4.9%	4.9%	5.0%	5.3%	5.4%	5.8%	6.6%	7.2%	7.5%	7.4%	7.6%	7.6%	2.76%
Colorado Springs Data	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Vs Year Ago
Business Conditions Index SA	84.26	80.68	82.95	75.20	71.55	72.08	69.44	68.64	70.40	69.66	73.97	79.09	-4.04
Co Spgs Airport Boardings SA	79,196	82,052	77,761	83,378	77,289	76,894	76,355	75,914	84,872	84,300	77,833	77,454	-5,267
Foreclosures SA	397	269	276	429	386	379	393	452	428	459	444	392	-86
New Car Sales SA	1,547	1,473	1,568	1,355	1,261	1,340	1,133	1,156	1,155	1,134	952	1,196	-577
Sales & Use Tax SA (000's)	9,214	10,190	9,740	9,158	9,270	8,987	8,765	8,923	9,636	9,037	8,580	9,277	-1,558
Single Family Permits SA	145	95	134	83	82	80	85	84	83	59	123	153	40
Labor Force NSA (000's)	302.9	302.1	301.0	302.3	302.2	300.7	299.3	299.0	297.7	300.9	300.5	302.7	-2.48
Employment NSA (000's)	285.2	284.6	284.0	284.3	283.4	279.7	274.8	273.7	272.1	277.4	277.1	277.5	-9.73
Unemployment Rate NSA	5.9%	5.8%	5.7%	6.0%	6.2%	7.0%	8.2%	8.4%	8.6%	7.8%	7.8%	8.3%	2.44%
Unemployment Rate SA	5.7%	5.9%	6.0%	6.4%	6.4%	7.0%	7.4%	8.1%	8.2%	8.3%	8.3%	7.5%	1.97%

About the Forum

The Southern Colorado Economic Forum (SCEF) is part of the College of Business outreach to the Colorado Springs Community. The Forum gathers, analyzes and disseminates information relevant to the economic health of the region. Through its efforts, the Forum has gathered a number of unique data sets. The Forum and its staff are available for fee-for-service work to analyze business situations, develop forecasts, conduct and analyze surveys and develop solutions to other business problems you may have. Examples of prior work include Small Area Forecast for the Pikes Peak Area Council of Governments, Colorado Springs Airport Passenger Survey, exit survey for La-Z-Boy, a Community Audit for the Pikes Peak Workforce Center and the Data Mining Project for the Colorado Workforce Centers. If you would like additional information about how the Forum can assist you, contact Fred Crowley at (719) 255-3531 or e-mail at fcrowley@uccs.edu.

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University of Colorado at Colorado Springs
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Colorado Springs, CO 80933-7150

College of Business
Venkat Reddy, Ph.D., Dean

Faculty Director
Southern Colorado Economic Forum
Professor of Finance
Tom Zwirlein, Ph.D.

Associate Director
Senior Economist
Southern Colorado Economic Forum

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Gold Level
Colorado Springs Utilities
Fittje Brothers Printing
Quality Community Group

Silver Level
BiggsKofford Certified Public Accountants
Colorado Lending Source
Ent Federal Credit Union
Pikes Peak Workforce Center
Strategic Financial Partners
UCCS College of Business and Administration

Sustaining Level
Academy Bank
Adams Bank & Trust
ADD STAFF, Inc.
Air Academy Federal Credit Union
Antlers Hilton Hotel
BBVA Compass Bank
Classic Companies
Colorado Springs Credit Union
DSoft Technology
Executive Programs, University of Colorado
GH Phipps Construction Companies
La Plata Communities
Legacy Bank
Nunn Construction
Peoples National Bank
Salzman Real Estate Services, LTD
Sierra Commercial Real Estate
The Mail Room, Inc.
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