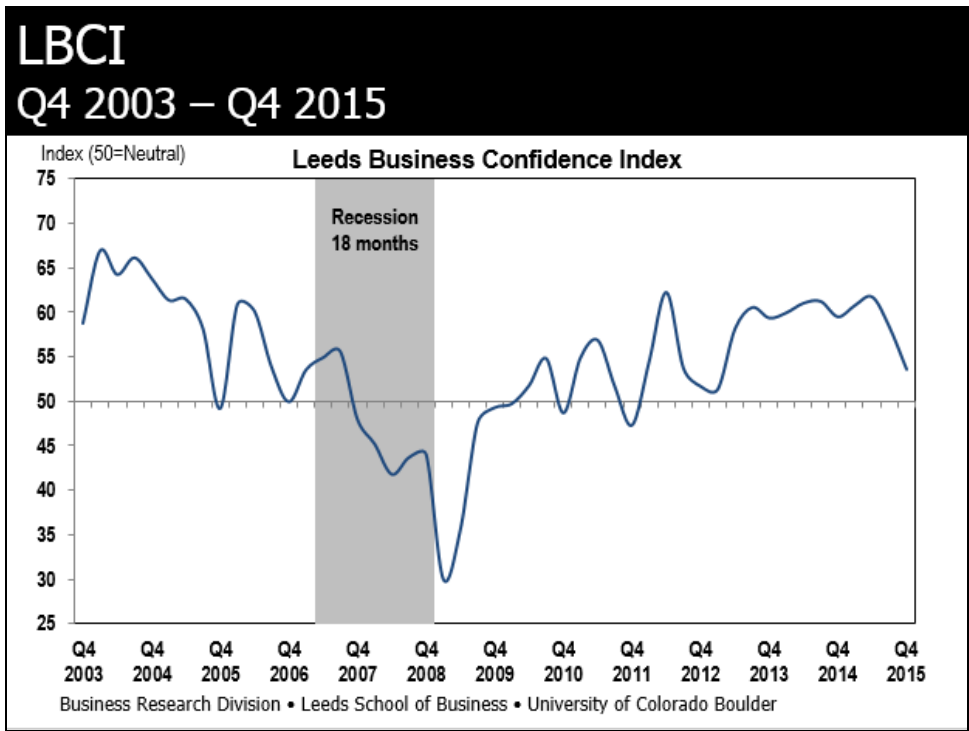


Summary — Pessimism grows amid recent market volatility ahead of Q4

The panel of business leaders surveyed in the Leeds Business Confidence Index (LBCI) notched expectations downward ahead of Q4 2015, marking two consecutive quarters of a decrease in confidence. The index remains in positive territory (above 50) for all metrics except the national index. Although the greatest optimism was in the state economy, this metric has seen decreasing optimism in the last three quarters. The national index, meanwhile, dipped into negative territory for the first time since Q1 2013. Even with strong Q2 GDP growth (3.9%), expectations for the national economy took the largest step back compared to a quarter ago on the heels of weak employment gains and volatility in equity markets. Profits expectations recorded the second-largest quarterly reduction.

The Leeds Business Confidence Index (LBCI), which captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures, is at 53.5 for Q4 2015 compared to 58.3 ahead of Q3 2015. The LBCI is down 5.9 points from one year ago and 4.7 points from last quarter. A total of 262 panelists responded to the Q4 2015 survey.



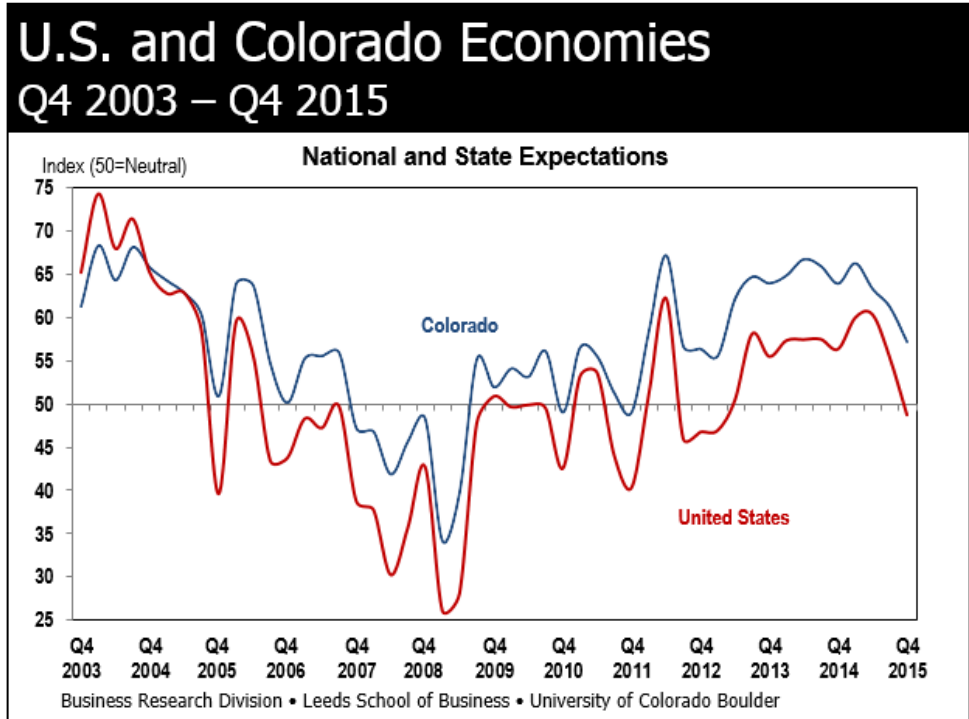
National and State Economies — Business Leaders Still Positive

Expectations about the Colorado's economy remained positive while the expectations for the national economy turned negative in the Q4 2015 survey. Expectations about the state stepped back 4 points while the national economy fell by over 6.5 points. Business leaders remained more positive about the state economy than the national economy. Real GDP growth continued on a positive growth path in Q2, expanding by 3.9% following growth of 0.6% in Q1 2015. National employment growth has remained strong, and the unemployment rate has decreased, to 5.1%. The United States averaged growth of 212,000 jobs per month year-to-date through August compared to 237,000 for the same period in 2014. August 2015 alone recorded 173,000 additional jobs.

Overall expectations for the state economy decreased from 61.2 in Q3 2015 to 57.2 in Q4 2015. Nearly 38% of panelists expect the state economy to expand, and 48.5% of respondents are neutral. Four percent of respondents expect a strong increase in the state economy, and less than 1% of respondents anticipate a strong decrease.

Confidence in the national economy decreased ahead of Q4, to 48.4 from 55.4 in Q3 2015. Optimists fell from 38% to 26.3% in Q4; 31.3% of respondents are bearish on the national economy.

According to the second estimate from the Bureau of Economic Analysis (BEA), U.S. GDP in Q2 2015 experienced a 3.9% increase. The BEA reported:



The increase in real GDP in the second quarter primarily reflected positive contributions from PCE, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Total year-over-year employment growth has continued to slow in Colorado, dropping from the peak of 3.6% in September 2014 to 1.9% in August 2015, the lowest percentage growth since 2011. Jobs increased by 2,400 from July 2015 to August 2015, a 0.1% month-over-month increase (seasonally adjusted).

Sales and Profits — Expectations Slip Ahead of Q4

Profits and sales expectations continue to fall ahead of Q4 2015. The profits index recorded a 4.9 point decrease, from 58.5 in Q3 2015 to 53.6 in the Q4 2015 survey. Sales expectations fell from 59.8 to 55.6.

The positive sales index was sustained by 43% of respondents who anticipate an increase in sales in Q4 versus 23% who expect a decline; 34% are neutral. Of the respondents on the extreme tails, 3% expect a strong increase and less than 2% anticipate a strong decrease.

The profits index decreased to 53.6 in Q4 2015, with those expecting growth in profits (40%) outweighing those anticipating declines (26%). One-third remained neutral.

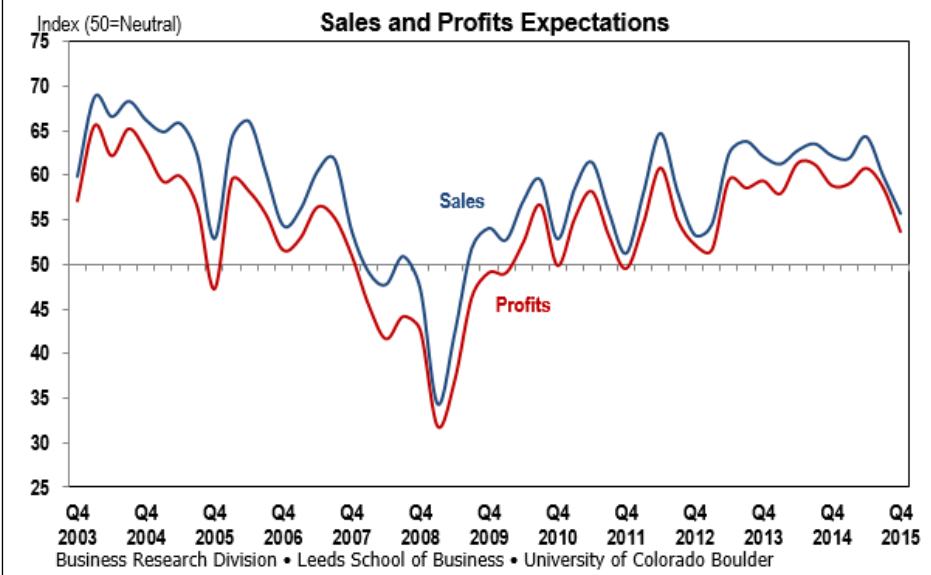
According to the BEA, state personal income rose 0.9% from the preceding quarter in Q1 2015 and 5.6% year-over-year, ranking the state 29th and 3rd, respectively, for these metrics. Per capita personal income rose 3.9% in 2014, 1.1 percentage points faster than overall

price growth. Inflation (All Items index) increased 2.8% for the year in the Denver-Boulder-Greeley MSAs. Core inflation increased 2.9%, and shelter increased 5% for the year.

According to the Federal Housing Finance Agency (FHFA) purchase only home price index, between the second quarter of 2014 and the second quarter of 2015, home prices rose in every state. House prices rose 1.2% nationally—the 16th-consecutive quarter to show an increase. Colorado ranked first in the nation in home price appreciation in Q2 2015, with a year-over-year increase of 10.6% and a 1% gain over the previous quarter.

According to the Institute for Supply Management manufacturing index, August 2015 recorded the 32nd-consecutive month of expansion for manufacturing, as well as the 75th month for overall economic growth. The August 2015 Purchasing Managers Index (PMI) posted a decrease of 1.6% from the previous month.

Sales and Profits Q4 2003 – Q4 2015

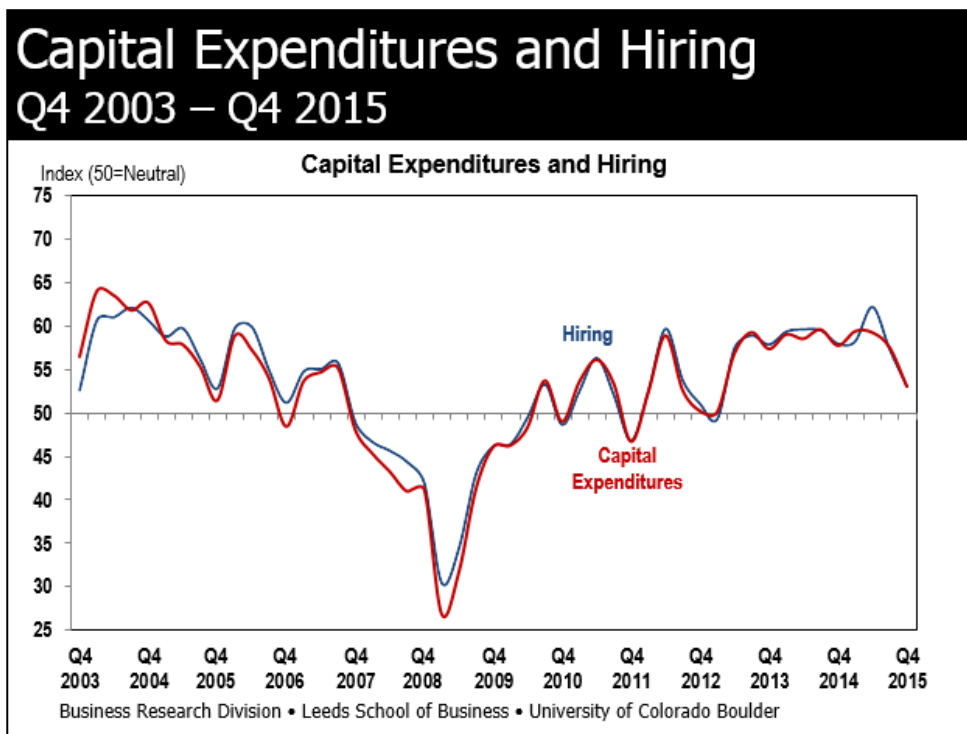


Capital Expenditures and Hiring Plans — Realignment

Capital expenditures and hiring expectations continue to align ahead of Q4. Both metrics fell this quarter—hiring expectations slid 4.2 points, and capital expenditures expectations decreased 4.5 points.

While 43% of respondents are neutral, 33% expect a boost in capital expenditures. A total of 5.3% respondents expect a strong increase compared to the 2.3% who expect a strong decrease in capital expenditures. Hiring expectations fell in the Q4 2015 survey, from 57.3 to 53.1. Approximately 42% of respondents are neutral on hiring. Another 35% of panelists note positive expectations, and only 23% are negative, indicating employment in Colorado continues to have upward growth potential.

The unemployment rate in Colorado decreased to 4.2% in August 2015, which compares to the national unemployment rate of 5.1%. Employment growth was recorded year-over-year in all metropolitan areas around the state, with the Greeley MSA growing at a rate of 4.5% in August 2015. Following Greeley, the greatest year-over-year MSA



growth in Colorado was in the Fort Collins-Loveland (2.7%), Denver-Aurora-Lakewood (2.4%), Grand Junction (1.3%), Boulder (1%), Colorado Springs (1%), and Pueblo (0.7%) MSAs. Growth from July to August showed a mixed employment story in Colorado. Month-over-month growth was recorded in the Greeley (0.4%), Boulder (0.3%), and Denver-Aurora-Lakewood (0.2%) MSAs; however, the Fort Collins-Loveland MSA fell 0.8%, the Colorado Springs MSA decreased 0.4%, and the Pueblo and Grand Junction MSAs were flat.

Across the state, the greatest year-over-year percentage gains in employment were in Construction (6.4%), Education and Health Services (5%), and Leisure and Hospitality (4.5%). The weakest sectors for growth continue to include Information (-4.5%), Other Services (-1.3%), and Professional and Business Services (-1.2%).

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

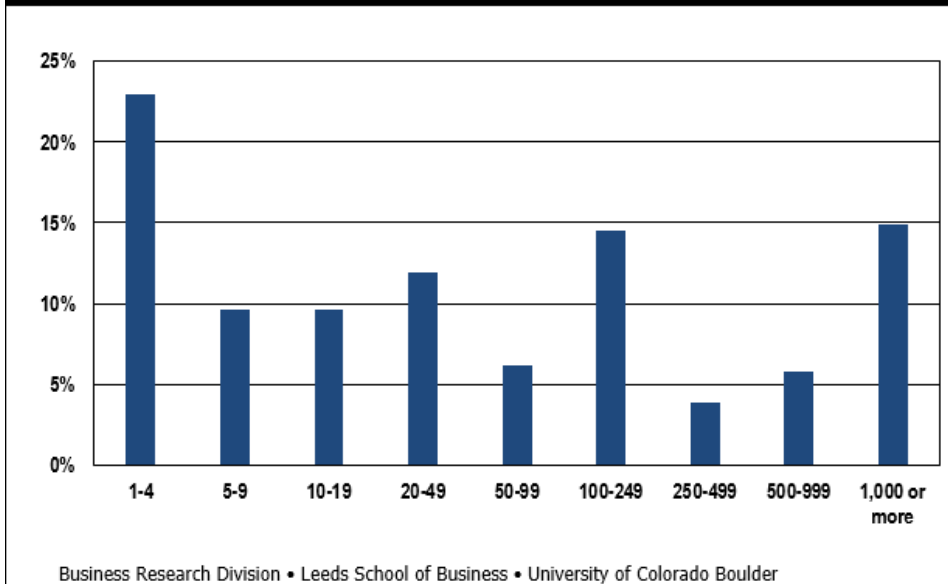
Panelists were asked two additional questions, one about the size of their company and the other about how long their company has been in business. More than half (54%) of survey respondents work for companies with fewer than 50 employees, and 46% work for companies with 50 or more employees. The three largest groups were represented by companies with 1–4 employees (23%), 100–249 employees (15%), 1,000 or more employees (15%), and 20–49 employees (12%).

Small employers' expectations fell 6.1 points ahead of Q4 while large employers' expectations slipped 3.1 points. While barely hovering 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 50.9 versus 56.7 for large employers. Large employers were more bullish than small employers in every category. The greatest differential (8.6 points) was in hiring plans, with small employers recording a reading of 49.1 compared to large employers' reading of 57.7.

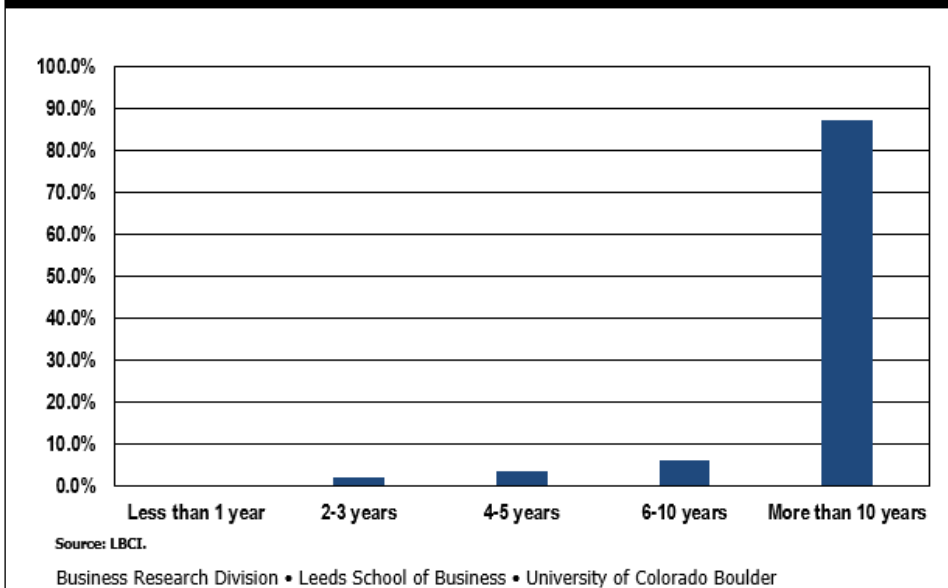
About 87% of survey respondents work at a long-standing company that has been in business for more than 10 years.

The index by firm tenure (how long it has been in business) was higher for firms in

Number of Employees Per Company



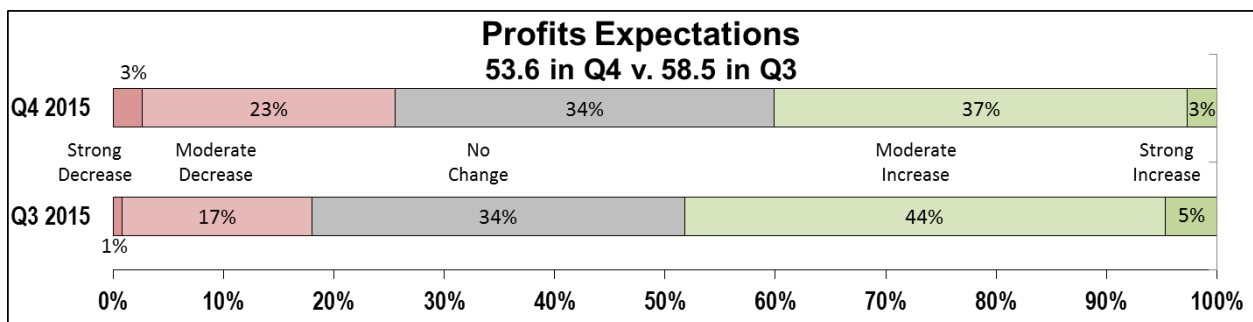
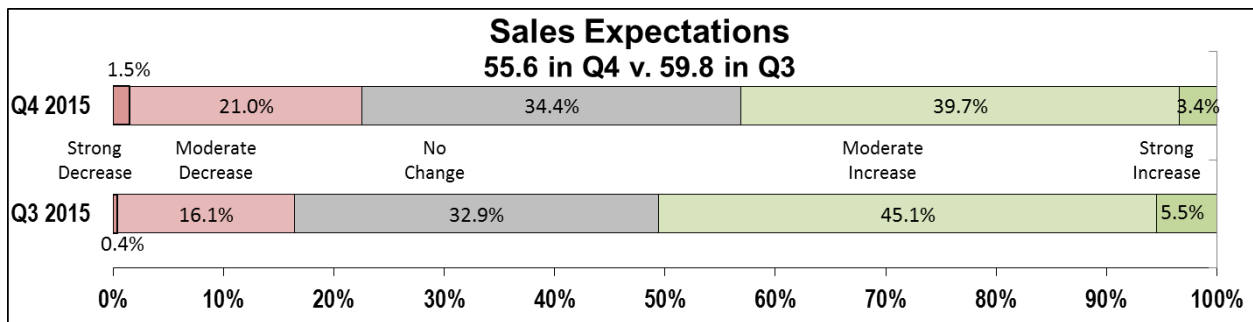
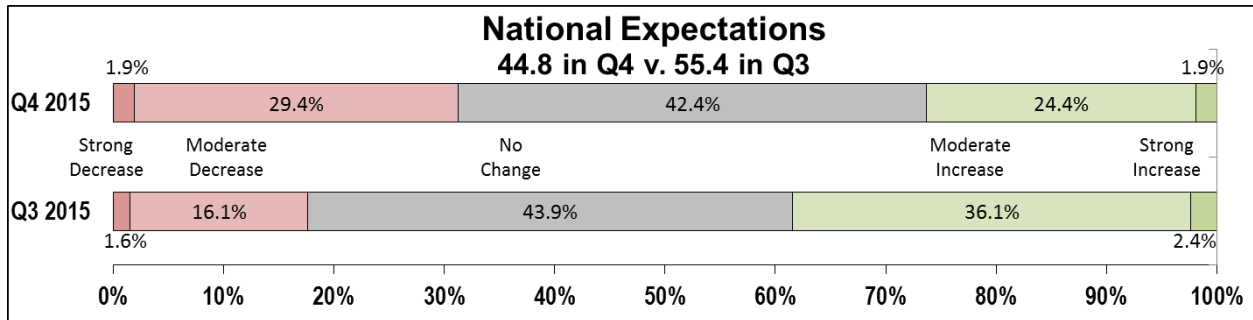
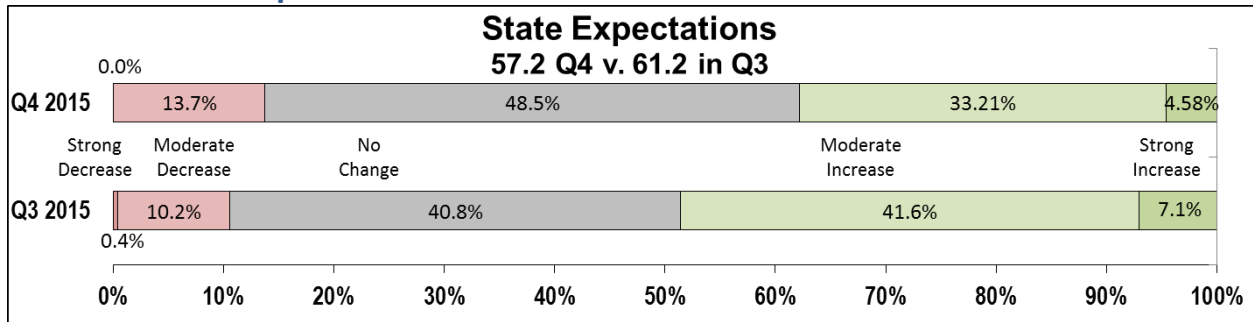
Number of Years in Business

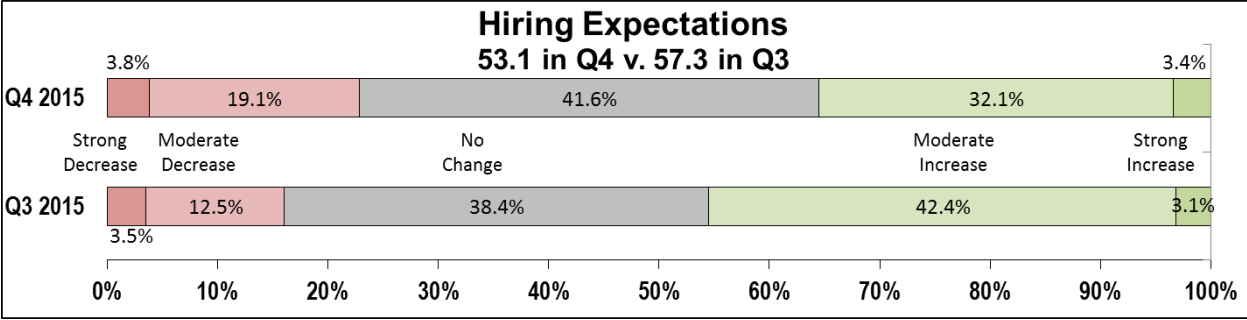
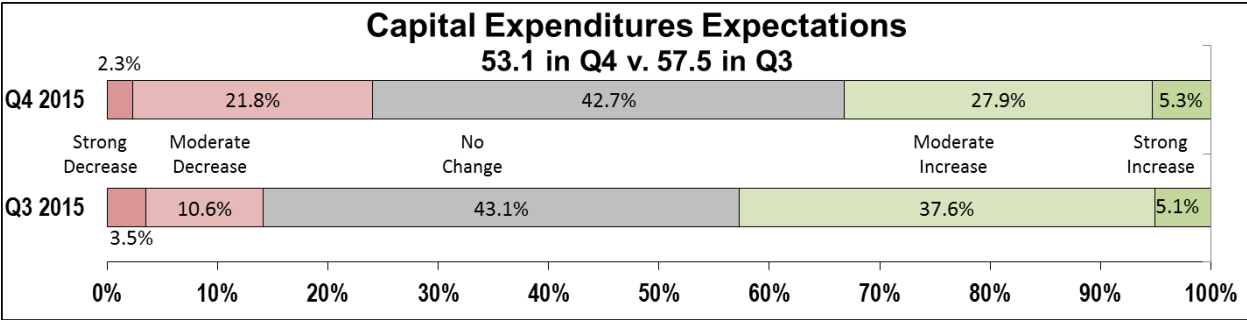


business less than 10 years (55.3) than for firms in business longer than 10 years (53.3).

While responding panelists represent nearly every industry in the state, the largest percentage of respondents to the Q4 survey work in three sectors: Professional and Technical Services (32%), Finance and Insurance (20%), and Public Administration (17%).

Distribution of Expectations





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